Bela Bela Local Municipality
Annual Financial Statements
for the year ended 30 June 2017
(LIM 366)

# General Information

| | |
|---|---|
| **Legal form of entity** | Local Municipality, governed by the MFMA (No 56 of 2003) |
| **Nature of business and principal activities** | Local Municipality |
| **Council** | |
| Mayor | Hon. M.J Ngobeni |
| Executive Councillors | Cllr R.Z Moeletsi (Speaker)<br>Cllr M.H Ledwaba (Chief Whip)<br>Cllr J.F Van der Merwe<br>Cllr S.E Maluleka |
| Other Councillors | Cllr M.D. Senosha<br>Cllr F.S Hlungwane<br>Cllr L.R. Modimela<br>Cllr M.N Ras<br>Cllr Y.M.S. Malete<br>Cllr M.A. Shika<br>Cllr M.J. Makhubela<br>Cllr S.D. Seale<br>Cllr P.M Aphane<br>Cllr K.F. Mothokwa<br>Cllr T.R. Masemola<br>Cllr A.R. Mosweou |
| In the course of the reporting period, the following councilliors ceased to be political office-bearers | Cllr S. Maluleka<br>Cllr M. Radebe<br>Cllr M. Mokanyana<br>Cllr G.T. Malete<br>Cllr K. Alberts<br>Cllr W. Mokhethwa<br>Cllr P. Mahlangu |
| **Grading of local authority** | Level 3 |
| **Acting Chief Finance Officer (CFO)** | Ms L. Phasha |
| **Acting Municipal Manager** | Mr. P. Raputsoa |
| **Registered office** | 58 Chris Hani Drive<br>Bela Bela |
| **Postal address** | Bela Bela Local Municipality<br>Private Bag X1609<br>Bela Bela<br>0480 |
| **Bankers** | Absa Bank Limited |
| **Auditors** | Auditor General of South Africa |
| **Attorneys** | Moloto Attorneys<br>Mohale Incorporated Attorneys |
| **Published** | 31 August 2017 |

# Index

The reports and statements set out below comprise the annual financial statements presented to the council:



| | |
|---|---|
| GRAP | Generally Recognised Accounting Practice |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| FMG | Financial Management Grant |
| EPWP | Expanded Public Works Programme |
| MSCOA | Municipal Standard Chart Of Accounts |

# Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

I am responsible for the preparation of these annual financial statements, which are set out on pages 6-89, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring that the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the accounting officer endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is substantially dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The accounting officer certify that the salaries, allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for loss of office, if any, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017.

**Mr. P. Raputsoa**
**Acting Municipal Manager**

# Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

## 1. Review of activities

**Main business and operations**

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements.

Net surplus of the municipality was R 77 911 228 (2016: deficit R 37 622 762).

## 2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## 3. Subsequent events

Subsequent to the reporting period, the contract of the Municipal Manager expired on the 31 of July 2017. An interim acting Municipal Manager was appointed by the Council as required by the Municipal System Act.

## 4. Submission of annual financial statements

The annual financial statements were submitted 31 August 2017. The municipality complied with the requirements of Section 126 of the Municipal Finance Management Act.

## 5. Accounting policies

The annual financial statements were prepared in accordance with the Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board.

## 6. Corporate governance

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality.

### 6.1 Fruitless and wasteful expenditure

The current year fruitless and wasteful expenditure amounting to R2 014 995 relates to interest charge on late payment of invoices from Eskom (R1 907 094), Auditor General (R48 849) and Magalies (R59 052).

### 6.2 Remuneration

The remuneration of the accounting officer and section 56 managers are determined by the upper limits for senior managers.

### 6.3 Audit Committee

Mr. S.A.B Ngobeni was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, the municipality, must appoint members of the audit committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors of the municipality onto the audit committee.

# Accounting Officer's Report

### 6.4 Internal audit

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

The chief internal auditor is Mr.M.C Kabe.

### 7. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

### 8. Auditors

The municipality is audited by the Auditor General of South Africa

### 9. Public Private Partnership

During the financial period under review, Bela Bela Local Municipality did not enter into any Public Private Partnerships.

## Statement of Financial Position as at 30 June 2017

| Figures in Rand | Note(s) | 2017 | 2016 Restated |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Inventories | 10 | 203 621 | 145 329 |
| Receivables from exchange transactions | 11 | 1 813 802 | 1 386 931 |
| Receivables from non-exchange transactions | 12 | 805 178 | 3 200 366 |
| VAT | 13 | 18 129 633 | 6 121 836 |
| Consumer debtors from non-exchange transactions | 14 | 11 910 668 | 4 774 913 |
| Consumer debtors from exchange transactions | 14 | 12 746 106 | 10 855 191 |
| Sundry debtors | 8 | 4 327 013 | 10 005 349 |
| Agreements | 9 | 161 427 | 651 192 |
| Cash and cash equivalents | 15 | 1 301 041 | 31 381 571 |
| | | **51 398 489** | **68 522 678** |
| Non-Current Assets | | | |
| Investment property | 3 | 353 360 623 | 343 027 146 |
| Property, plant and equipment | 4 | 659 301 907 | 589 207 455 |
| Intangible assets | 5 | 2 139 990 | 2 016 926 |
| Heritage assets | 6 | 538 950 | 538 950 |
| Agreements | 9 | 257 584 | 326 971 |
| | | **1 015 599 054** | **935 117 448** |
| **Total Assets** | | **1 066 997 543** | **1 003 640 126** |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Finance lease obligation | 16 | 10 860 744 | 10 003 106 |
| Payables from exchange transactions | 20 | 100 344 149 | 105 981 035 |
| Consumer deposits | 21 | 5 450 124 | 5 350 810 |
| Unspent conditional grants and receipts | 17 | 25 502 790 | 34 434 029 |
| Provisions | 18 | 5 405 899 | 5 122 692 |
| Unknown deposits | 19 | 4 914 432 | 9 906 250 |
| | | **152 478 138** | **170 797 922** |
| Non-Current Liabilities | | | |
| Finance lease obligation | 16 | 7 669 361 | 18 530 105 |
| Employee benefit obligation | 7 | 39 188 870 | 37 447 894 |
| Provisions | 18 | 38 682 172 | 25 796 438 |
| | | **85 540 403** | **81 774 437** |
| **Total Liabilities** | | **238 018 541** | **252 572 359** |
| **Net Assets** | | **828 979 002** | **751 067 767** |
| Accumulated surplus | | 828 979 002 | 751 067 767 |

* See Note 46

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 24 | 147 043 336 | 141 587 947 |
| Rental of facilities and equipment | 40 | 1 099 298 | 1 106 503 |
| Licences and permits | | 3 256 242 | 3 201 147 |
| Administration and management fees received | | 396 756 | 316 257 |
| Commissions received | | 61 098 | 63 061 |
| Demand charges | | 210 524 | 410 926 |
| Other income | 27 | 7 612 504 | 1 875 710 |
| Town planning scheme | | 514 515 | 435 200 |
| Interest received | 33 | 10 479 479 | 6 235 144 |
| **Total revenue from exchange transactions** | | **170 673 752** | **155 231 895** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 23 | 62 467 982 | 46 336 732 |
| Donations | 26 | - | 7 270 367 |
| **Transfer revenue** | | | |
| Government grants and subsidies | 25 | 175 897 888 | 104 252 391 |
| Fines | 28 | 12 756 400 | 3 028 800 |
| **Total revenue from non-exchange transactions** | | **251 122 270** | **160 888 290** |
| **Total revenue** | 22 | **421 796 022** | **316 120 185** |
| **Expenditure** | | | |
| Employee related costs | 30 | (110 405 150) | (103 691 638) |
| Remuneration of councillors | 31 | (6 277 994) | (6 325 882) |
| Depreciation and amortisation | 35 | (49 036 709) | (30 808 519) |
| Impairment loss/ Reversal of impairments | 36 | (237 576) | (66 513) |
| Finance costs | 38 | (10 317 130) | (6 495 816) |
| Debt impairment | 32 | (32 309 464) | (29 176 475) |
| Repairs and maintenance | | (7 806 277) | (12 128 665) |
| Bulk purchases | 41 | (85 227 482) | (78 914 997) |
| General expenses | 29 | (53 800 605) | (89 884 858) |
| **Total expenditure** | | **(355 418 387)** | **(357 493 363)** |
| **Operating surplus (deficit)** | | **66 377 635** | **(41 373 178)** |
| Loss on disposal of assets | | (3 514 272) | (1 968 058) |
| Fair value adjustments | 34 | 12 278 941 | 13 203 875 |
| Actuarial gain / (loss) | 37 | 2 768 924 | (7 485 400) |
| | | **11 533 593** | **3 750 417** |
| **Surplus (deficit) for the year** | | **77 911 228** | **(37 622 761)** |

* See Note 46

## Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---|---|
| **Balance at 01 July 2015** | **790 648 392** | **790 648 392** |
| Changes in net assets | | |
| Deficit for the year | (37 622 762) | (37 622 762) |
| Total changes | (37 622 762) | (37 622 762) |
| Opening balance as previously reported | 753 025 630 | 753 025 630 |
| Adjustments | | |
| Prior year adjustments - note 46 | (1 957 864) | (1 957 864) |
| **Restated* Balance at 01 July 2016 as restated*** | **751 067 770** | **751 067 770** |
| Changes in net assets | | |
| Deficit for the year | 77 911 228 | 77 911 228 |
| Total changes | 77 911 228 | 77 911 228 |
| **Balance at 30 June 2017** | **828 978 998** | **828 978 998** |

* See Note 46

## Cash Flow Statement

| Figures in Rand | Note(s) | 2017 | 2016 Restated |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Sale of goods and services | | 185 388 026 | 179 321 416 |
| Appropriation | | 166 966 649 | 138 686 420 |
| Interest income | | 10 479 479 | 6 235 144 |
| | | 362 834 154 | 324 242 980 |
| **Payments** | | | |
| Employee costs | | (114 956 700) | (109 281 035) |
| Suppliers | | (137 809 775) | (134 699 199) |
| | | (252 766 475) | (243 980 234) |
| **Net cash flows from operating activities** | 42 | **110 067 679** | **80 262 746** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 4 | (129 474 859) | (77 852 707) |
| Purchase of other intangible assets | 5 | (284 380) | (25 000) |
| **Net cash flows from investing activities** | | **(129 759 239)** | **(77 877 707)** |
| **Cash flows from financing activities** | | | |
| Loan - proceeds | | - | (3 278 875) |
| Interest | | (385 864) | (2 424 079) |
| Finance lease payments | | (10 003 106) | 22 043 120 |
| **Net cash flows from financing activities** | | **(10 388 970)** | **16 340 166** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(30 080 530)** | **18 725 205** |
| Cash and cash equivalents at the beginning of the year | | 31 381 571 | 12 656 366 |
| **Cash and cash equivalents at the end of the year** | 15 | **1 301 041** | **31 381 571** |

* See Note 46

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Service charges | 164 490 180 | - | 164 490 180 | 147 043 336 | (17 446 844) | Note 56, N1 |
| Rental of facilities and equipment | 1 550 000 | - | 1 550 000 | 1 099 298 | (450 702) | Note 56, N2 |
| Licences and permits | 15 000 000 | - | 15 000 000 | 3 256 242 | (11 743 758) | Note 56, N3 |
| Administration and management fees received | 300 000 | - | 300 000 | 396 756 | 96 756 | |
| Commissions received | 45 000 | - | 45 000 | 61 098 | 16 098 | Note 56 , N4 |
| Demand charges | 8 155 169 | - | 8 155 169 | 210 524 | (7 944 645) | Note 56, N5 |
| Other income | 5 378 000 | - | 5 378 000 | 7 612 504 | 2 234 504 | Note 56, N6 |
| Town planning scheme | 550 000 | - | 550 000 | 514 515 | (35 485) | |
| Interest received | 3 800 000 | 4 500 000 | 8 300 000 | 10 479 479 | 2 179 479 | Note 56, N7 |
| **Total revenue from exchange transactions** | **199 268 349** | **4 500 000** | **203 768 349** | **170 673 752** | **(33 094 597)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 94 647 886 | (15 000 000) | 79 647 886 | 62 467 982 | (17 179 904) | Note 56, N8 |
| **Transfer revenue** | | | | | | |
| Government grants and subsidies | 151 689 000 | - | 151 689 000 | 175 897 888 | 24 208 888 | Note 56, N9 |
| Fines | 13 000 000 | - | 13 000 000 | 12 756 400 | (243 600) | Note 56, N10 |
| **Total revenue from non-exchange transactions** | **259 336 886** | **(15 000 000)** | **244 336 886** | **251 122 270** | **6 785 384** | |
| **Total revenue** | **458 605 235** | **(10 500 000)** | **448 105 235** | **421 796 022** | **(26 309 213)** | |
| **Expenditure** | | | | | | |
| Personnel | (104 757 541) | (12 791 754) | (117 549 295) | (110 405 150) | 7 144 145 | |
| Remuneration of councillors | (6 707 924) | - | (6 707 924) | (6 277 994) | 429 930 | |
| Depreciation and amortisation | (28 000 000) | - | (28 000 000) | (49 036 709) | (21 036 709) | |
| Impairment loss/ Reversal of impairments | - | - | - | (237 576) | (237 576) | |
| Finance costs | (2 645 743) | - | (2 645 743) | (10 317 130) | (7 671 387) | |
| Debt impairment | (15 000 000) | - | (15 000 000) | (32 309 464) | (17 309 464) | |
| Repairs and maintenance | (29 811 500) | 13 950 000 | (15 861 500) | (7 806 277) | 8 055 223 | Note 56, N11 |
| Bulk purchases | (104 905 949) | 5 000 000 | (99 905 949) | (85 227 482) | 14 678 467 | Note 56, N12 |
| General expenses | (84 374 155) | 3 492 646 | (80 881 509) | (53 800 605) | 27 080 904 | Note 56, N13 |
| **Total expenditure** | **(376 202 812)** | **9 650 892** | **(366 551 920)** | **(355 418 387)** | **11 133 533** | |
| **Operating surplus / (deficit)** | **82 402 423** | **(849 108)** | **81 553 315** | **66 377 635** | **(15 175 680)** | |
| Loss on disposal of assets and liabilities | - | - | - | (3 514 272) | (3 514 272) | |
| Fair value adjustments | - | - | - | 12 278 941 | 12 278 941 | |
| Actuarial gain / (loss) | - | - | - | 2 768 924 | 2 768 924 | |
| | - | - | - | **11 533 593** | **11 533 593** | |

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Surplus / (Deficit) before taxation** | **82 402 423** | **(849 108)** | **81 553 315** | **77 911 228** | **(3 642 087)** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **82 402 423** | **(849 108)** | **81 553 315** | **77 911 228** | **(3 642 087)** | |

## Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | | | | | |
| **Financial Performance** | | | | | | | | | | | |
| Property rates | 94 647 886 | (15 000 000) | 79 647 886 | - | | 79 647 886 | 62 467 982 | | (17 179 904) | 78 % | 66 % |
| Service charges | 164 490 180 | - | 164 490 180 | - | | 164 490 180 | 147 043 336 | | (17 446 844) | 89 % | 89 % |
| Investment revenue | 300 000 | 1 000 000 | 1 300 000 | - | | 1 300 000 | 10 479 479 | | 9 179 479 | 806 % | 3 493 % |
| Transfers recognised - operational | 71 118 000 | - | 71 118 000 | - | | 71 118 000 | 117 402 647 | | 46 284 647 | 165 % | 165 % |
| Other own revenue | 47 478 169 | 3 500 000 | 50 978 169 | - | | 50 978 169 | 40 955 202 | | (10 022 967) | 80 % | 86 % |
| **Total revenue (excluding capital transfers and contributions)** | **378 034 235** | **(10 500 000)** | **367 534 235** | **-** | | **367 534 235** | **378 348 646** | | **10 814 411** | **103 %** | **100 %** |
| Employee costs | (104 757 541) | (12 791 754) | (117 549 295) | - | - | (117 549 295) | (110 405 150) | - | 7 144 145 | 94 % | 105 % |
| Remuneration of councillors | (6 707 924) | - | (6 707 924) | - | - | (6 707 924) | (6 277 994) | - | 429 930 | 94 % | 94 % |
| Debt impairment | (15 000 000) | - | (15 000 000) | | | (15 000 000) | (32 309 464) | - | (17 309 464) | 215 % | 215 % |
| Depreciation and asset impairment | (28 000 000) | - | (28 000 000) | | | (28 000 000) | (49 274 285) | - | (21 274 285) | 176 % | 176 % |
| Finance charges | (2 645 743) | - | (2 645 743) | - | - | (2 645 743) | (10 317 130) | - | (7 671 387) | 390 % | 390 % |
| Materials and bulk purchases | (134 717 449) | 18 950 000 | (115 767 449) | - | - | (115 767 449) | (85 227 482) | - | 30 539 967 | 74 % | 63 % |
| Other expenditure | (84 374 155) | 3 492 646 | (80 881 509) | - | - | (80 881 509) | (65 121 154) | - | 15 760 355 | 81 % | 77 % |
| **Total expenditure** | **(376 202 812)** | **9 650 892** | **(366 551 920)** | **-** | **-** | **(366 551 920)** | **(358 932 659)** | **-** | **7 619 261** | **98 %** | **95 %** |
| **Surplus/(Deficit)** | **1 831 423** | **(849 108)** | **982 315** | **-** | | **982 315** | **19 415 987** | | **18 433 672** | **1 977 %** | **1 060 %** |

## Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Transfers recognised - capital | 80 571 000 | - | 80 571 000 | - | | 80 571 000 | 58 495 241 | | (22 075 759) | 73 % | 73 % |
| **Surplus (Deficit) after capital transfers and contributions** | **82 402 423** | **(849 108)** | **81 553 315** | **-** | | **81 553 315** | **77 911 228** | | **(3 642 087)** | **96 %** | **95 %** |
| **Surplus/(Deficit) for the year** | **82 402 423** | **(849 108)** | **81 553 315** | **-** | | **81 553 315** | **77 911 228** | | **(3 642 087)** | **96 %** | **95 %** |

# Accounting Policies

## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand. The accounting policies are consistent with the previous period.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, are disclosed below.

### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### 1.2 Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a receivable.

The impairment for receivable is calculated on a portfolio basis.

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price. The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similiar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

## Accounting Policies

**Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

**Value in use of cash generating assets:**
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

**Value in use of non-cash generating assets:**
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

**Useful lives of property plant and equipment and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimation should be based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

**Post retirement benefits and other long term benefits**

The present value of the post retirement obligation and other long-term employee obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations.In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement benefits and other long-term benefits are based on current market conditions. Additional information is disclosed in Note 7.

**Effective interest rate**

The municipality used the prime interest rate to discount future cash flows. In the event that different rates were used, clear indication of the rate and the reasons are given.

**Allowance for debt impairment**

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment determination is based on assessment of individual accounts.

# Accounting Policies

### 1.3 Investment property

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or either land or buildings) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods and services, or the sale of an asset in the ordinary course of operations or administrative purposes.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

The cost of self-constructed investment property is the cost at date of completion. Subsequent to initial recognition property plant is carried at cost less accumulated depreciation and any impairment losses.

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The valuations are performed annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the statement of financial performance as part of the surplus and deficit.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property and from property held for sale in the ordinary course of business:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment properties.
- land held for a currently undetermined future use.
- a building owned and leased out under one or more operating leases
- leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- a building that is vacant but is held to be leased out under one or more operating leases.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note ).

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

## Accounting Policies

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Subsequent to initial recognition property plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Land | Straight line | indefinite |
| Buildings | Straight line | 15 - 60 years |
| Leasehold property | Straight line | 5 years |
| Plant and machinery | Straight line | 4 - 5 years |
| Furniture and fixtures | Straight line | 5 years |
| Motor vehicles | Straight line | 5 - 10 years |
| Office equipment | Straight line | 5 years |
| IT equipment | Straight line | 3 years |
| Computer software | Straight line | 2 - 5 years |
| Infrastructure | | |
| • Roads and paving | Straight line | 5 - 100 years |
| • Pedestrain malls | Straight line | 20 - 30 years |
| • Electricity | Straight line | 10 - 60 years |
| • Water | Straight line | 10 - 80 years |
| • Sewerage | Straight line | 12 - 80 years |

## Accounting Policies

| | | |
|---|---|---|
| Community | | |
| • Buildings | Straight line | 15 - 60 years |
| • Recreational facilities | Straight line | 15 - 50 years |
| • Taxi ranks | Straight line | 10 - 40 years |
| • Stadiums | Straight line | 20 - 40 years |
| • Libraries | Straight line | 15 - 60 years |
| • Parks and gardens | Straight line | 10 - 50 years |
| • Other assets | Straight line | 7 - 20 years |
| Ancillary fleet equipment and security | Straight line | 15 years |
| Artwork | Straight line | 5 years |
| Other equipment | Straight line | 5 years |
| Communication equipment | Straight line | 10 - 15 years |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located; changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

## Accounting Policies

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

### 1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Subsequent to initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment losses.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at that date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|---|---|

# Accounting Policies

| | |
|---|---|
| Computer software | 2 years |
| Rights to use naturally occurring assets | Indefinite |

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is recognised.

## 1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and held indefinitely for the benefit of present and future generations.

### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

## 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another entity.

## Accounting Policies

### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalent | Financial asset measured at amortised cost |
| Agreements | Financial asset measured at amortised cost |

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Payables from exchange transactions | Financial liability measured at amortised cost |
| Consumer deposits | Financial liability measured at amortised cost |
| Unknown deposits | Financial liability measured at amortised cost |
| Finanial liabilities | Financial liability measured at amortised cost |
| Finance lease obligation | Financial liability measured at amortised cost |

### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value,

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

**Subsequent measurement of financial assets and financial liabilities**

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

**Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

**Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

**Impairment and uncollectibility of financial assets**

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

# Accounting Policies

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

**Derecognition**

**Financial assets**

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

**Financial liabilities**

The municipality removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

## 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

**Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

## Accounting Policies

**Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

**Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual payments are recognised as an operating lease asset or liability

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

**Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease termon a straight-line basis over the lease term. Any contingent rents are recognised separately as an expense in the period which they are incurred.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

# Accounting Policies

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Accounting Policies

### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

## Accounting Policies

**Reversal of impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

**Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# Accounting Policies

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# Accounting Policies

### 1.13 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

# Accounting Policies

**Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# Accounting Policies

**Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;

# Accounting Policies

- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is or presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

**Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
    - those changes were enacted before the reporting date; or
    - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### Other long long-term employee benefits

The municipality provides post-retirement health care benefits to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities.

Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.14 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

## Accounting Policies

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is an:
• a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
• present obligation that arises from past events but is not recognised because:
• it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
• the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the Municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.15 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Accounting Policies

### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

### 1.16 Revenue from non-exchange transactions

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

**Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

## Accounting Policies

### Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

### Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

### Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. Revenue from traffic fines is recognised at a full amount on the issue of fines. Fines that are subject to settlement discount are measured using the Municipality's consideration on past history in assessing the likelihood of these discounts being taken up by debtors, Revenue is then measured at the fair value of the consideration received or receivable, net of estimated settlement discounts.

### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

# Accounting Policies

### Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when:
- it is probable that the future economic benefits or service potential will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

### Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

## 1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

## 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 44 for detail.

## 1.19 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Manangement Act (Act No. 56 of 2013), and include:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Fruitless and wasteful expenditure

Fruitless expenditure expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.23 Value Added Tax

The Municipality is registered as category C VAT vendor. The Municipality accounts for VAT on a cash basis as per Section 15 of the VAT Act. VAT receivable or payable is calculated on a monthly bases. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statments are prepared on the accrual basis of accounting.

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

### 1.24 Commitments

Items are classified as commit ments when the municipality hascommitted itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed in a note to the financial statements, if both the following criteria are met:

- contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Commitments consist of expenditure committed but not yet incurred. Commitments are categorised as follows::

- Commitments approved and contracted for
- Commitments approved but not yet contracted for

### 1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.26 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.
Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.28 Agreements

One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitates that innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives.

**Recognition**
Agreements are recognised when a debtor enter into a payment arrangement with the municipality. The amount to be recognised in the financial statements as an agreement, for either less than 12 months or over 12 months, consists of the amount outstanding as receivables as at the reporting date.

**Measurement**
Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months. Agreements are measured at amortised cost, using the effective interest rate, less provision for impairment losses ..

### 1.29 Accumulated surplus

Accumulated surplus is an equity account that the Municipality uses to accumulate surpluses / losses as a result of financial performance. Transfers to accumulated surplus can also be as a result of accounting policies of other equity accounts.

## Accounting Policies

### 1.30 Unknown deposits

Unknown deposits refer to amounts which were paid into municipal accounts without proper reference to be able to allocate amounts received to correct debtor accounts or relevant vote accounts.

**Recognition**
Once the payment is received, the municipality will try to trace the amount to allocate it to the correct debtors or vote account. After the municipality have exhausted all options, then the municipality will advertise to the public. Should the public not come to claim the amounts, then the municipality will classify the amount as revenue.

**Measurement**
The amount of unknown deposits is valued at fair value of the amount actually received.

# Accounting Policies

### 1.31 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the Standard of GRAP on Statutory Receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the accounting policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

#### Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

#### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling,
- business rescue or an equivalent.
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

# Notes to the Annual Financial Statements

## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**GRAP 32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

**GRAP 108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The municipality has formulated an accounting policy based on the standard and will adopt the standard for the first time when the Minister sets the effective date for the standard.

**IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The municipality has formulated an accounting policy based on the standard and will adopt the standard for the first time when the Minister sets the effective date for the standard.

There was no significant impact on adoption of the amendment.

# Notes to the Annual Financial Statements

### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

**GRAP 34: Separate Financial Statements**

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**GRAP 35: Consolidated Financial Statements**

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**GRAP 36: Investments in Associates and Joint Ventures**

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**GRAP 37: Joint Arrangements**

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

## Notes to the Annual Financial Statements

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**GRAP 38: Disclosure of Interests in Other Entities**

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**GRAP 110: Living and Non-living Resources**

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

**IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land**

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

## Notes to the Annual Financial Statements

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

**GRAP 12 (as amended 2016): Inventories**

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 16 (as amended 2016): Investment Property**

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 17 (as amended 2016): Property, Plant and Equipment**

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

# Notes to the Annual Financial Statements

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 18 (as amended 2016): Segment Reporting**

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2018

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

**GRAP 27 (as amended 2016): Agriculture**

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 31 (as amended 2016): Intangible Assets**

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

# Notes to the Annual Financial Statements

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 103 (as amended 2016): Heritage Assets**

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 110 (as amended 2016): Living and Non-living Resources**

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

**GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and

## Notes to the Annual Financial Statements

- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

**GRAP 109: Accounting by Principals and Agents**

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

# Notes to the Annual Financial Statements

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

# Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

## 3. Investment property

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | | Carrying value | Cost / Valuation | | Carrying value |
| Investment property | 328 076 974 | 25 283 649 | 353 360 624 | 317 743 497 | 25 283 649 | 343 027 146 |

**Reconciliation of investment property - 2017**

| | Opening balance | Reclassify - cost | Fair value adjustments | Total |
|---|---|---|---|---|
| Investment property | 343 027 146 | (1 945 464) | 12 278 941 | 353 360 623 |

**Reconciliation of investment property - 2016**

| | Opening balance | Derecognition | Fair value adjustment | Total |
|---|---|---|---|---|
| Investment property | 344 816 649 | (14 719 767) | 13 203 876 | 343 027 146 |

**Pledged as security**

The Municipality does not have any assets pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## 4. Property, plant and equipment

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Plant and machinery | 2 135 190 | (1 013 383) | 1 121 807 | 1 338 239 | (593 629) | 744 610 |
| Furniture and fixtures | 4 442 424 | (3 089 523) | 1 352 901 | 3 811 151 | (2 935 577) | 875 574 |
| Motor vehicles | 25 245 313 | (11 844 333) | 13 400 980 | 25 245 313 | (3 392 454) | 21 852 859 |
| Office equipment | 13 491 464 | (12 946 528) | 544 936 | 13 511 631 | (9 081 839) | 4 429 792 |
| Infrastructure | 1 030 906 737 | (553 853 337) | 477 053 400 | 973 838 451 | (529 706 570) | 444 131 881 |
| Community | 91 847 199 | (40 900 684) | 50 946 515 | 74 083 301 | (42 924 754) | 31 158 547 |
| Work in progress | 83 931 594 | - | 83 931 594 | 53 529 659 | - | 53 529 659 |
| Emergency equipement | 91 614 | (72 021) | 19 593 | 81 046 | (65 388) | 15 658 |
| Other assets | 71 351 604 | (40 421 423) | 30 930 181 | 71 351 604 | (38 882 729) | 32 468 875 |
| **Total** | **1 323 443 139** | **(664 141 232)** | **659 301 907** | **1 216 790 395** | **(627 582 940)** | **589 207 455** |

## Notes to the Annual Financial Statements

Figures in Rand

**Reconciliation of property, plant and equipment - 2017**

| | Opening balance | Additions | Derecognition | Reclassify | Transfers to additions | Provision adjustment | Depreciation | Impairment loss | Derecogntion (acc depr) | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Plant and machinery | 744 610 | 726 399 | (56 191) | - | - | - | (345 859) | - | 52 848 | 1 121 807 |
| Furniture and fixtures | 875 574 | 934 188 | (302 916) | - | - | - | (434 836) | - | 280 891 | 1 352 901 |
| Motor vehicles | 21 852 859 | - | - | - | - | - | (8 451 879) | - | - | 13 400 980 |
| Office equipment | 4 429 792 | 219 622 | (239 790) | - | - | - | (4 094 798) | - | 230 110 | 544 936 |
| Infrastructure | 444 131 881 | 56 791 159 | (10 427 108) | - | - | 10 704 235 | (31 515 510) | - | 7 368 743 | 477 053 400 |
| Community | 31 158 547 | 20 986 486 | (938 169) | 1 945 463 | - | - | (2 485 605) | (237 576) | 517 369 | 50 946 515 |
| Work in progress | 53 529 659 | 108 179 580 | - | - | (77 777 645) | - | - | - | - | 83 931 594 |
| Emergency equipment | 15 658 | 12 203 | (1 636) | - | - | - | (8 211) | - | 1 579 | 19 593 |
| Other assets | 32 468 875 | - | - | - | - | - | (1 538 694) | - | - | 30 930 181 |
| | **589 207 455** | **187 849 637** | **(11 965 810)** | **1 945 463** | **(77 777 645)** | **10 704 235** | **(48 875 392)** | **(237 576)** | **8 451 540** | **659 301 907** |

**Reconciliation of property, plant and equipment - 2016**

| | Opening balance | Additions | Derecognition | Impairments | Transfers to additions | Provision adjustment | Correction of error | Other changes, movements | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Buildings | 35 370 181 | - | - | - | - | - | - | (35 370 181) | - | - | - |
| Plant and machinery | 193 299 | 801 670 | (327 402) | - | - | - | - | - | (202 008) | 279 051 | 744 610 |
| Furniture and fixtures | 962 140 | 304 634 | (255 345) | - | - | - | - | - | (376 399) | 240 544 | 875 574 |
| Motor vehicles | - | 25 245 313 | - | - | - | - | (101 258) | - | (3 291 196) | - | 21 852 859 |
| Office equipment | 7 928 080 | 571 598 | (372 750) | - | - | - | 126 742 | - | (4 157 524) | 333 646 | 4 429 792 |
| Infrastructure | 412 813 443 | 43 126 040 | (6 238 036) | (66 512) | - | - | (3 440 619) | 12 139 466 | (18 637 635) | 4 435 734 | 444 131 881 |
| Community | 28 674 616 | 7 220 915 | (271 555) | - | - | 5 644 629 | (2 063 207) | (6 473 370) | (1 781 534) | 208 053 | 31 158 547 |
| Work in progress | 42 185 904 | 50 978 943 | - | - | (43 126 040) | - | 3 490 852 | - | - | - | 53 529 659 |
| Emergency equipment | 24 750 | - | (11 798) | - | - | - | - | - | (9 092) | 11 798 | 15 658 |
| Other assets | - | - | - | - | - | - | - | 32 468 875 | - | - | 32 468 875 |
| Recreational Facilities | 5 046 226 | - | - | - | - | - | - | (4 802 886) | (243 340) | - | - |
| | **533 198 639** | **128 249 113** | **(7 476 886)** | **(66 512)** | **(43 126 040)** | **5 644 629** | **(1 987 490)** | **(2 038 096)** | **(28 698 728)** | **5 508 826** | **589 207 455** |

**Pledged as security**

The municipality does not have any assets pledged as security.

**Change in accounting estimates**

**Change in estimated costs of dismantling, removing or restoring items of landfill sites**
In accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the previous financial year or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:

*(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;*

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2017 by Environmental and Sustainability Solutions CC. It is calculated as the present value of the future obligation, discounted at prime interest rate. The following key assumptions were used: CPI of 5.6372% (2016: 6.2064%), discount rate of 8.1372% (2016: 8.4564%) and net effective discount rate of 2.5% (2016: 2.25%). The remaining estimated life of the landfill site of 10 years is used in the discounted calculation of the provision

The valuation resulted to change in estimate as follows:

| | 2017 | 2016 |
|---|---|---|
| Change in provision for landfill closure | R10 704 235 | R5 644 648 |

**Change in useful lives**

The Municipality reviews the remaining useful life of every movable asset on an annual basis year. .All categories remaining useful life was reviewed and the effect is shown in the table below:

| | Depreciation 2017 | Depreciation 2016 |
|---|---|---|
| Emergency equipment | 4 526 | 1 457 |
| Furniture and fittings | 68 478 | 122 499 |
| Office equipment | 29 594 | 43 497 |
| Plant and equipment | 10 545 | 20 462 |
| | **113 143** | **187 915** |

**Reconciliation of Work-in-Progress 2017**

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|---|---|---|---|---|
| Opening balance | 21 159 139 | 31 515 746 | 854 774 | 53 529 659 |
| Additions | 94 391 271 | 13 423 854 | 364 455 | 108 179 580 |
| Transferred to completed items | (60 827 603) | (16 317 716) | (632 326) | (77 777 645) |
| | **54 722 807** | **28 621 884** | **586 903** | **83 931 594** |

**Reconciliation of Work-in-Progress 2016**

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|---|---|---|---|---|
| Opening balance | 23 766 015 | 18 419 889 | - | 42 185 904 |
| Additions/capital expenditure | 37 028 312 | 13 095 857 | 854 774 | 50 978 943 |
| Correction of error | 3 490 852 | - | - | 3 490 852 |
| Transferred to completed items | (43 126 040) | - | - | (43 126 040) |
| | **21 159 139** | **31 515 746** | **854 774** | **53 529 659** |

| Figures in Rand | 2017 | 2016 |
|---|---|---|

### Expenditure incurred to repair and maintain property, plant and equipment

| Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance | | |
|---|---|---|
| Buildings | 99 291 | 341 666 |
| Plant and equipment | 958 141 | 1 201 882 |
| Infrastructure | 3 406 511 | 5 941 655 |
| Motor vehicles | 189 998 | 68 184 |
| Community assets | 3 152 336 | 4 398 139 |
| Office equipment | - | 177 140 |
| | **7 806 277** | **12 128 666** |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 1 927 266 | (432 939) | 1 494 327 | 1 642 886 | (271 623) | 1 371 263 |
| Rights to use naturally occurring assets | 645 663 | - | 645 663 | 645 663 | - | 645 663 |
| **Total** | **2 572 929** | **(432 939)** | **2 139 990** | **2 288 549** | **(271 623)** | **2 016 926** |

**Reconciliation of intangible assets - 2017**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 1 371 263 | 284 380 | (161 316) | 1 494 327 |
| Rights to use naturally occurring assets | 645 663 | - | - | 645 663 |
| | **2 016 926** | **284 380** | **(161 316)** | **2 139 990** |

**Reconciliation of intangible assets - 2016**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 1 417 939 | 25 000 | (71 676) | 1 371 263 |
| Rights to use naturally occurring assets | 645 663 | - | - | 645 663 |
| | **2 063 602** | **25 000** | **(71 676)** | **2 016 926** |

**Pledged as security**

The municipality does not have any intangible assets pledged as security.

**Restricted title**

There are not restrictions on the title and disposal of intangible assets. No commitments have been entered into for the acquisition, maintenance and restoration of intangible assets.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

# Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

## 6. Heritage assets

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical buildings | 538 950 | - | 538 950 | 538 950 | - | 538 950 |

**Reconciliation of heritage assets 2017**

| | Opening balance | Total |
|---|---|---|
| Historical buildings | 538 950 | 538 950 |

| Figures in Rand | 2017 | 2016 |
|---|---|---|

**Reconciliation of heritage assets 2016**

| | Opening balance | Total |
|---|---|---|
| Historical buildings | 538 950 | 538 950 |

**Restrictions on heritage assets**

There are not restrictions on the title and disposal of heritage assets.

**Pledged as security**

The municipality does not have any heritage assets pledged as security. No commitments have been entered into for the acquisition, maintenance and restoration of heritage assets.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

### 7. Employee benefit obligations

**Post retirement Health Care Benefits Liability**

| | 2017 | 2016 |
|---|---|---|
| **Carrying value** | | |
| Present value of the defined benefit obligation-wholly unfunded | (37 447 894) | (26 763 894) |
| Benefits paid | 1 131 324 | 1 077 400 |
| Current service cost | (2 025 000) | (1 179 000) |
| Net actuarial gain and losses | 2 965 700 | (8 127 400) |
| Interest cost | (3 813 000) | (2 455 000) |
| | **(39 188 870)** | **(37 447 894)** |

The municipality provides certain post retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aids Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by ZAQ Consultants and Actuaries, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. An actuarial valuation has been performed of the liability in respect of post-employment health care benefits to employees and retirees of Bela Bela Municipality and to their registered dependants.

**The members of the Post-employment Health Care Benefit Plan are made up as follows:**

| | 2017 | 2016 |
|---|---|---|
| In-service members (employees) | 222 | 232 |
| Continuation | 27 | 28 |

**Net expense recognised in the statement of financial performance**

| | 2017 | 2016 |
|---|---|---|
| Current service cost | 2 025 000 | 1 179 000 |
| Interest cost | 3 813 000 | 2 455 000 |
| Actuarial (gains) losses | (2 965 700) | 8 127 400 |
| | **2 872 300** | **11 761 400** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
| --- | --- | --- |

**The liability in respect of past service has been estimated as follows:**

| | | |
| --- | --- | --- |
| In-service members (employees) | 27 402 000 | 24 096 000 |
| Continuation members | 11 786 000 | 13 352 000 |
| | **39 188 000** | **37 448 000** |

The municipality makes monthly contributions of health care arrangements to the following medical aid schemes:

-Keyhealth
-Bonitas
-Hosmed
-Samwumed
-LA Health
The current service cost for the year ending 30 June 2017 is estimated to be R 2 025 000 (2016 R1 179 000).

| Figures in Rand | 2017 | 2016 |
|---|---|---|

**Key assumptions used**

Assumptions used at the reporting date:

| | | |
|---|---|---|
| Discount rates used | Yield curve | Yield curve |
| CPI (Consumer Price Inflation) | Difference between nominal and yield curves | Difference between nominal and yield curves |
| Medical Aid Contribution Inflation | CPI + 1% | CPI + 1% |
| Net Effective Discount Rate | Yield curve based | Yield curve based |

The basis used to determine the overall expected rate of return on the statement of financial position assets is as follows: We used the nominal and real zero curves as at 20 June 2017 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

**Medical Aid Inflation**
The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

**Average Retirement Age**
The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

**Normal Retirement Age**
The normal retirement age (NRA) for all active employees was assumed to be 65 years.

**Mortality Rates**
Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.
Previously mortality before retirement was based on the SA 85-90 mortality tables whilst postemployment was based on PA (90) rated down one year.

**Spouses and Dependants**
We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

**Movement in the present value of the defined benefit obligation are as follows:**

| | 2017 | 2016 |
|---|---|---|
| Opening balance | 37 447 894 | 26 763 894 |
| Net expense recognised in the statement of financial performance | 1 740 976 | 10 684 000 |
| **Present value of fund obligation at the end of the year** | **39 188 870** | **37 447 894** |

**The amounts recognised in the Statement of Financial Performance**

| | 2017 | 2016 |
|---|---|---|
| Current service cost | 2 025 000 | 1 179 000 |
| Benefits paid | (1 131 324) | (1 077 400) |

# Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| Interest cost | 3 813 000 | 2 455 000 |
| Actuarial (gains) losses | (2 965 700) | 8 127 400 |
| | **1 740 976** | **10 684 000** |

**The history of experienced adjustments is as follows:**

| | | |
|---|---|---|
| Present value of Defined Benefit Obligation | 39 188 000 | 37 448 000 |
| | **39 188 000** | **37 448 000** |

**The Liability in respect of past service has been estimated as follows:**

**Changes in the fair value of plan assets are as follows:**

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

**The liability in respect of past service has been estimated as follows:**

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R2 266000 for current service cost and R4 047 000 for interest costs the effect is as follows:

| | **One percentage point increase** | **One percentage point decrease** |
|---|---|---|
| Interest cost | 4 788 000 | 3 453 000 |
| Service cost | 2 819 000 | 1 837 000 |
| Total | 7 607 000 | 5 290 000 |

Amounts for the current and previous four years are as follows:

| | **2017 R** | **2016 R** | **2015 R** | **2014 R** | **2013 R** |
|---|---|---|---|---|---|
| Defined benefit obligation | 5 037 000 | 4 671 000 | 4 403 000 | 2 527 592 | 2 050 334 |
| Surplus (deficit) | 5 037 000 | 4 671 000 | 4 403 000 | 2 527 592 | 2 050 334 |

## 8. Agreements

| | | |
|---|---|---|
| Cash suspense RD | 1 104 563 | 1 471 743 |
| VAT suspense | 2 741 851 | 7 991 296 |
| Other receivables | 480 599 | 542 310 |
| Total | 4 327 013 | 10 005 349 |

## 9. Agreements

Agreements consist of consumer debtors payment arrangements. Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months.

| | | |
|---|---|---|
| Short term agreements | 161 427 | 651 192 |
| Long term agreements | 257 584 | 326 971 |
| Total | 419 011 | 1 216 315 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

## 10. Inventories

| | | |
|---|---|---|
| Water | 203 621 | 145 329 |

### Inventory pledged as security

No Inventory was pledged as security.

## 11. Receivables from exchange transactions

| | | |
|---|---|---|
| WDM fire fighting | 857 156 | 296 767 |
| Sundry debtors | 956 646 | 1 090 164 |
| | **1 813 802** | **1 386 931** |

## 12. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Fines | 8 642 488 | 31 505 315 |
| Allowance for impairment | (7 837 310) | (28 304 949) |
| | **805 178** | **3 200 366** |

### Reconciliation of provision for impairment of receivables from non-exchange transactions

| | | |
|---|---|---|
| Opening balance | (28 304 949) | (25 298 939) |
| Provision for impairment | (7 696 696) | (3 006 010) |
| | **(36 001 645)** | **(28 304 949)** |

## 13. VAT receivable

| | | |
|---|---|---|
| VAT | 18 129 633 | 6 121 836 |

## 14. Consumer debtors

| | | |
|---|---|---|
| **Gross balances** | | |
| Rates | 68 975 767 | 60 594 867 |
| Electricity | 11 308 067 | 9 145 664 |
| Water | 16 893 834 | 12 800 012 |
| Sewerage | 8 786 255 | 5 444 876 |
| Refuse | 4 086 671 | 3 470 822 |
| Other | 45 076 385 | 38 536 545 |
| | **155 126 979** | **129 992 786** |

| | | |
|---|---|---|
| **Less: Allowance for impairment** | | |
| Rates | (57 065 099) | (55 819 954) |
| Electricity | (6 616 250) | (4 732 889) |
| Water | (15 127 259) | (11 786 643) |
| Sewerage | (7 458 188) | (4 348 591) |
| Refuse | (3 444 560) | (2 848 348) |
| Other | (40 758 847) | (34 826 258) |
| | **(130 470 203)** | **(114 362 683)** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| **Net balance** | | |
| Rates | 11 910 668 | 4 774 913 |
| Electricity | 4 691 817 | 4 412 775 |
| Water | 1 766 574 | 1 013 370 |
| Sewerage | 1 328 067 | 1 096 285 |
| Refuse | 642 111 | 622 474 |
| Other | 4 317 537 | 3 710 287 |
| | **24 656 774** | **15 630 104** |
| **Included in above is receivables from exchange transactions** | | |
| Electricity | 4 691 817 | 4 412 775 |
| Water | 1 766 574 | 1 013 370 |
| Sewerage | 1 328 067 | 1 096 285 |
| Refuse | 642 111 | 622 474 |
| Other | 4 317 537 | 3 710 287 |
| | **12 746 106** | **10 855 191** |
| **Included in above is receivables from non-exchange transactions (taxes and transfers)** | | |
| Rates | 11 910 668 | 4 774 913 |
| **Net balance** | **24 656 774** | **15 630 104** |
| **Rates** | | |
| Current (0 -30 days) | 7 527 841 | 6 158 445 |
| 31 - 60 days | 3 070 029 | 1 947 834 |
| 61 - 90 days | 2 041 427 | 1 710 424 |
| 91 - 120 days | 1 879 674 | 2 969 561 |
| 121 - 365 days | 11 716 923 | 8 978 019 |
| > 365 days | 42 739 873 | 38 830 584 |
| | **68 975 767** | **60 594 867** |
| **Electricity** | | |
| Current (0 -30 days) | 4 358 067 | 5 116 573 |
| 31 - 60 days | 1 054 757 | 149 072 |
| 61 - 90 days | 447 766 | 175 555 |
| 91 - 120 days | 247 572 | 97 842 |
| 121 - 365 days | 1 750 007 | 951 139 |
| > 365 days | 3 449 898 | 2 655 483 |
| | **11 308 067** | **9 145 664** |
| **Water** | | |
| Current (0 -30 days) | 1 785 787 | 2 110 010 |
| 31 - 60 days | 919 329 | 490 188 |
| 61 - 90 days | 775 411 | 407 256 |
| 91 - 120 days | 562 893 | 420 416 |
| 121 - 365 days | 2 600 240 | 2 161 943 |
| > 365 days | 10 324 491 | 7 821 385 |
| | **16 893 834** | **12 800 012** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| **Other** | | |
| Current (0 -30 days) | 2 663 409 | 4 205 857 |
| 31 - 60 days | 1 326 216 | 702 762 |
| 61 - 90 days | 1 093 436 | 815 072 |
| 91 - 120 days | 1 040 574 | 879 257 |
| 121 - 365 days | 5 888 727 | 4 505 563 |
| > 365 days | 33 064 023 | 27 428 034 |
| | **45 076 385** | **38 536 545** |
| **Sewerage** | | |
| Current (0 -30 days) | 1 261 582 | 1 532 975 |
| 31 - 60 days | 612 379 | 259 243 |
| 61 - 90 days | 499 872 | 219 675 |
| 91 - 120 days | 439 012 | 326 412 |
| 121 - 365 days | 2 080 324 | 1 003 590 |
| > 365 days | 3 893 086 | 2 102 981 |
| | **8 786 255** | **5 444 876** |
| **Refuse** | | |
| Current (0 -30 days) | 613 913 | 838 965 |
| 31 - 60 days | 199 873 | 116 999 |
| 61 - 90 days | 150 188 | 99 421 |
| 91 - 120 days | 130 720 | 93 482 |
| 121 - 365 days | 571 730 | 441 608 |
| > 365 days | 2 420 247 | 1 880 347 |
| | **4 086 671** | **3 470 822** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| **Summary of debtors by customer classification** | | |
| **Government** | | |
| Current (0 -30 days) | 1 038 243 | 1 484 090 |
| 31 - 60 days | 740 040 | 430 880 |
| 61 - 90 days | 441 439 | 409 394 |
| 91 - 120 days | 344 268 | 390 762 |
| 121 - 365 days | 1 728 460 | 2 478 457 |
| > 365 days | 5 354 656 | 7 528 382 |
| | **9 647 106** | **12 721 965** |
| **Business** | | |
| Current (0 -30 days) | 6 394 127 | 7 324 652 |
| 31 - 60 days | 1 504 807 | 442 772 |
| 61 - 90 days | 813 084 | 386 914 |
| 91 - 120 days | 525 237 | 377 243 |
| 121 - 365 days | 3 101 927 | 2 312 863 |
| > 365 days | 16 691 692 | 14 045 757 |
| | **29 030 874** | **24 890 201** |
| **House holds** | | |
| Current (0 -30 days) | 7 600 100 | 7 913 086 |
| 31 - 60 days | 3 061 365 | 1 808 512 |
| 61 - 90 days | 2 381 248 | 1 771 018 |
| 91 - 120 days | 2 127 755 | 2 039 544 |
| 121 - 365 days | 12 269 116 | 8 970 631 |
| > 365 days | 41 096 594 | 35 934 156 |
| | **68 536 178** | **58 436 947** |
| **Other** | | |
| Current (0 -30 days) | 3 178 130 | 3 240 996 |
| 31 - 60 days | 1 876 371 | 983 933 |
| 61 - 90 days | 1 372 330 | 860 079 |
| 91 - 120 days | 1 303 184 | 1 979 421 |
| 121 - 365 days | 7 508 447 | 4 279 911 |
| > 365 days | 32 674 359 | 22 548 196 |
| | 47 912 821 | 33 892 536 |
| | **155 126 979** | **129 992 786** |
| **Reconciliation of allowance for impairment** | | |
| Balance at beginning of the year | (114 362 683) | (97 809 709) |
| Debt impairment written off against allowance | (16 107 520) | (16 552 974) |
| | **(130 470 203)** | **(114 362 683)** |

### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2017 | 2016 |
|---|---|---|
| Cash on hand | 3 997 | 3 997 |
| Bank balances | 188 133 | 1 120 234 |
| Short-term deposits | 1 108 911 | 30 257 340 |
| | **1 301 041** | **31 381 571** |

| Figures in Rand | 2017 | 2016 |
|---|---|---|

**Credit quality of cash at bank and short term deposits, excluding unspent conditional grant**

| | 2017 | 2016 |
|---|---|---|
| **Credit rating** | | |
| Investment | 1 114 038 | 30 261 337 |
| Cash and cash equivalent | 781 391 | 3 286 930 |
| **Total cash** | **1 895 429** | **33 548 267** |
| Less: unspent conditional grant | (25 502 790) | (34 434 030) |
| | **(23 607 361)** | **(885 763)** |

See note 29 for reconciliation of grants

**Cash and cash equivalents pledged as collateral**

| | 2017 | 2016 |
|---|---|---|
| Total financial assets pledged as collateral for [specify the liability] | 800 000 | 800 000 |

**Local Guarantees**

The above guarantee is pledged to Eskom by means of the ABSA Bank Call account with the number 2066701092. The valuation amount for the current year ended 30 June 2017: R800 000 (2016: R800 000).

**Current Account (Primary Bank Account)**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2017 | 30 June 2016 | 30 June 2015 | 30 June 2017 | 30 June 2016 | 30 June 2015 |
| ABSA BANK - Current Account - 1330000062 | 778 159 | 3 236 039 | 2 051 978 | 184 906 | 1 069 343 | 906 729 |
| ABSA BANK - Call Account - 4078360937 | 3 227 | 50 891 | 1 104 | 3 227 | 50 891 | 1 104 |
| **Total** | **781 386** | **3 286 930** | **2 053 082** | **188 133** | **1 120 234** | **907 833** |

**Call deposits**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2017 | 30 June 2016 | 30 June 2015 | 30 June 2017 | 30 June 2016 | 30 June 2015 |
| ABSA BANK - Call Account - 4078462834 | 6 262 | 189 705 | 54 128 | 6 262 | 189 705 | 54 128 |
| ABSA BANK - Account Type - Deposit - 2066701092 | 800 000 | 800 000 | 800 000 | 800 000 | 800 000 | 800 000 |
| FNB Limited - Call Account - 6204584148 | 280 689 | 270 093 | 261 629 | 280 689 | 270 093 | 261 629 |
| Petty cash | 3 997 | 3 997 | 2 000 | 3 997 | 3 997 | 2 000 |
| ABSA BANK - Call Account - 9295746149 | 282 | 23 941 662 | 2 147 | 282 | 23 941 662 | 2 147 |
| ABSA BANK - Call Account - 9295745884 | 829 | 30 469 | 2 281 | 829 | 30 469 | 2 281 |
| NEDBANK - Call Account - 03-7881110678 | - | 5 001 130 | 10 620 384 | - | 5 001 130 | 10 620 384 |
| ABSA BANK - Call Account - 4073741532 | 4 062 | 3 835 | 3 960 | 4 062 | 3 835 | 3 960 |
| ABSA BANK - Call Account - 9296620730 | 13 288 | 11 139 | 2 005 | 13 288 | 11 139 | 2 005 |
| ABSA BANK - Call Account - 4087938456 | 103 | 1 065 | - | 103 | 1 065 | - |
| ABSA BANK - Call Account - 4087938854 | 3 396 | 8 242 | - | 3 396 | 8 242 | - |
| **Total** | **1 112 908** | **30 261 337** | **11 748 534** | **1 112 908** | **30 261 337** | **11 748 534** |

# Notes to the Annual Financial Statements

| Figures in Rand | | | | 2017 | 2016 |
|---|---|---|---|---|---|
| **Total cash and cash equivalents** | **1 894 294** | **33 548 267** | **1 301 041** | **31 381 571** | |

## 16. Finance lease obligation

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 13 133 665 | 13 861 737 |
| - in second to fifth year inclusive | 8 099 402 | 21 233 067 |
| - later than five years | - | - |
| | 21 233 067 | 35 094 804 |
| less: future finance charges | (2 702 962) | (6 561 593) |
| **Present value of minimum lease payments** | **18 530 105** | **28 533 211** |
| | | |
| Non-current liabilities | 7 669 361 | 18 530 105 |
| Current liabilities | 10 860 744 | 10 003 106 |
| | **18 530 105** | **28 533 211** |

Bela-Bela Local Municipality has leased computer equipment from BIG Time Strategic sourcing. The monthly lease payment is R372 446 with a 10% annual increment. The lease agreement is for the period of 36 month from 01 November 2013 to 31 October 2016.Ownership has passed to the Municipality after the expiry of lease contract.

Bela-Bela has leased motor vehicle from Bertobite Pty (ltd) and Telephone System equipment's from Intuate for a period of 36 months. The Monthly lease payment for motor vehicles is R with 9 % annual increment. The monthly lease payment for Telephone system is R15 602.34 with no yearly escalation. Bertobrite Pty (ltd) lease agreement is effective from 01 February 2016 to 31 January 2019. The Intuate lease agreement is effective from t 1 November 2015 to 31 October 2019.

## 17. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| **Unspent conditional grants and receipts** | | |
| Financial Management Grant | (33) | (33) |
| Municipal System Infrastructure Grant (MSIG) | 268 | 268 |
| Department of Water andForesty Grant (DWAF) | 105 | 105 |
| Municipal Infrastructure Grant (MIG) | 13 509 788 | 34 434 029 |
| Disaster Management Grant | (234) | (234) |
| Intergration National Electrification Programme | 11 993 002 | - |
| Expanded Public Works Programme (EPWP) | (106) | (106) |
| | **25 502 790** | **34 434 029** |

**Movement during the year**

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| Balance at the beginning of the year | 34 434 029 | - |
| Additions during the year | 166 966 649 | 138 686 420 |
| Income recognition during the year | (175 897 888) | (104 252 391) |
| | **25 502 790** | **34 434 029** |

See note 26 for reconciliation of grants from National/Provincial Government.

## 18. Provisions

**Reconciliation of provisions - 2017**

| | Opening Balance | Additions | Utilised during the year | Total |
| --- | --- | --- | --- | --- |
| Rehabilitation of landfill site | 25 796 438 | 12 885 734 | - | 38 682 172 |
| Performance bonus | 451 690 | - | (82 793) | 368 897 |
| Long service award provision | 4 671 002 | 366 000 | - | 5 037 002 |
| | **30 919 130** | **13 251 734** | **(82 793)** | **44 088 071** |

**Reconciliation of provisions - 2016**

| | Opening Balance | Additions | Total |
| --- | --- | --- | --- |
| Rehabilitation of landfill site | 18 943 072 | 6 853 366 | 25 796 438 |
| Performance bonus | 318 805 | 132 885 | 451 690 |
| Long service award provision | 4 403 002 | 268 000 | 4 671 002 |
| | **23 664 879** | **7 254 251** | **30 919 130** |

| | | |
| --- | --- | --- |
| Non-current liabilities | 38 682 172 | 25 796 438 |
| Current liabilities | 5 405 899 | 5 122 692 |
| | 44 088 071 | 30 919 130 |

**Rehabilitation of landfill site**

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2017 by Environmental and Sustainability Solutions CC. It is calculated as the present value of the future obligation, discounted at prime interest rate. The following key assumptions were used: CPI of 5.6372% (2016: 6.2064%), discount rate of 8.1372% (2016: 8.4564%) and net effective discount rate of 2.5% (2016: 2.25%). The remaining estimated life of the landfill site of 10 years is used in the discounted calculation of the provision.

**Provision for rehabilitation of landfill sites:**

| | | |
| --- | --- | --- |
| **Carrying value** | | |
| Balance at the beginning of the year | 25 796 438 | 18 943 072 |
| Changes in provision for landfill closure | 10 704 235 | 5 644 648 |
| Interest charge | 2 181 499 | 1 208 718 |
| **Total Recognised Liability** | **38 682 172** | **25 796 438** |

**Long Service Awards**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.
The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Hildegard Wilson, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

For the year ended 30 June 2017, 350 (2016: 370) employees were eligible for long service awards.
The current service cost for the year ending 30 June 2017 is estimated to be R 533 000 (2016: R 502 000).

**The principal assumptions used for the purpose of the actuarial valuations were as follows:**

| | | |
| --- | --- | --- |
| Discount rate used | Yield curve | Yield curve |

# Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| Salary increase rate | Equal to CPI+1% | Equal to CPI+1% |
| Net effective discount rate | Yield curve based | Yield curve based |

**Movement in the present value of the defined benefit obligation were as follows:**

| | | |
|---|---|---|
| **Carrying value** | | |
| Balance at the beginning of the year | 4 671 000 | 4 403 000 |
| Current service cost | 534 000 | 502 000 |
| Interest cost | 464 000 | 408 000 |
| Benefits paid | (828 776) | (57 781) |
| Actuarial (gain) / losses | 196 776 | (584 219) |
| **Total recognised benefit liability** | **5 037 000** | **4 671 000** |

**The amounts recognised in the Statement of Financial Performance are as follows:**

| | | |
|---|---|---|
| Current service cost | 534 000 | 502 000 |
| Interest cost | 464 000 | 408 000 |
| Actuarial (gains) losses | 196 776 | (584 219) |
| **Total post retirement benefit included in employee related costs** | **1 194 776** | **325 781** |

The liability at the valuation date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R533 0000 for current service cost and R525 000 for interest costs the effect is as follows:

| | **One percentage point increase** | **One percentage point decrease** |
|---|---|---|
| Effect on the aggregate of the service cost | 583 000 | 488 000 |
| Effect on defined benefit obligation | 568 000 | 486 000 |
| | 1 151 000 | 974 000 |

Amounts for the current and previous year are as follows:

| | **2017 R** | **2016 R** | **2015 R** | **2014 R** | **2013 R** |
|---|---|---|---|---|---|
| Defined benefit obligation | 5 037 000 | 4 671 000 | 4 403 000 | 2 527 592 | 2 050 334 |
| Plan assets | - | - | - | - | - |
| Surplus (deficit) | 4 671 000 | 4 671 000 | 4 403 000 | 2 527 592 | 2 050 334 |

**Performance bonus**

Chapter 3 of government gazette no 290289, of 01 august 2006, government: municipal performance regulations for municipal managers and managers directly accountable to municipal managers stipulate that, performance bonus ranging between 5% to 14% of the all-inclusive remuneration package may be paid to an employee in recognition of outstanding performance.

Management has made provision for performance bonus based at 10% of annual remuneration of section 56 managers.

## 19. Unknown deposits

| | | |
|---|---|---|
| Unknown deposits | 4 914 432 | 9 906 250 |

Deposits receipts into municipal accounts without proper reference to be able to allocate it to correct debtor accounts or relevant accounts.

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

### 20. Payables from exchange transactions

| | | |
|---|---|---|
| Trade payables | 59 306 620 | 66 800 064 |
| Payments received in advanced | 17 569 512 | 17 294 409 |
| Year end accruals | 456 149 | 3 032 717 |
| Accrued leave pay | 8 093 854 | 7 506 395 |
| 13th cheque | 2 065 282 | 2 038 069 |
| Accrued payroll expenses | 2 802 168 | 2 690 669 |
| Retention creditors | 9 632 997 | 6 183 545 |
| Deposits on sale of land | 417 567 | 435 167 |
| | **100 344 149** | **105 981 035** |

### 21. Consumer deposits

| | | |
|---|---|---|
| Deposit received | 5 450 124 | 5 350 810 |

### 22. Revenue

| | | |
|---|---|---|
| Service charges | 147 043 336 | 141 587 947 |
| Rental of facilities and equipment | 1 099 298 | 1 106 503 |
| Licences and permits | 3 256 242 | 3 201 147 |
| Administration and management fees received | 396 756 | 316 257 |
| Commissions received | 61 098 | 63 061 |
| Demand charges | 210 524 | 410 926 |
| Traffic fines | 7 612 504 | 1 875 710 |
| Town planning scheme | 514 515 | 435 200 |
| Interest received | 10 479 479 | 6 235 144 |
| Property rates | 62 467 982 | 46 336 732 |
| Donations | - | 7 270 367 |
| Government grants & subsidies | 175 897 888 | 104 252 391 |
| Traffic fines | 12 756 400 | 3 028 800 |
| | **421 796 022** | **316 120 185** |

| | | |
|---|---|---|
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Service charges | 147 043 336 | 141 587 947 |
| Rental of facilities and equipment | 1 099 298 | 1 106 503 |
| Licences and permits | 3 256 242 | 3 201 147 |
| Administration and management fees received | 396 756 | 316 257 |
| Commissions received | 61 098 | 63 061 |
| Demand charges | 210 524 | 410 926 |
| Traffic fines | 7 612 504 | 1 875 710 |
| Town planning scheme | 514 515 | 435 200 |
| Interest received | 10 479 479 | 6 235 144 |
| | **170 673 752** | **155 231 895** |

| | | |
|---|---|---|
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| Property rates | 62 467 982 | 46 336 732 |
| Donations | - | 7 270 367 |
| **Transfer revenue** | | |
| Government grants & subsidies | 175 897 888 | 104 252 391 |
| Traffic fines | 12 756 400 | 3 028 800 |
| | **251 122 270** | **160 888 290** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

## 23. Property rates

**Rates received**

| | | |
|---|---|---|
| Property rates | 62 467 982 | 46 336 732 |

**Valuations**

Valuations of properties are performed every 5 years as required by Municipal Property Rates Acts as amended. The last general valuation came into effect on 1 June 2016. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations, subdivisions, consolidations and other alterations as stipulated in the Municipal Property Rates Act.

The rate randages are as follows:
Farms agricultural is R0.0066
Farms Agricultural (Bona Fide) R0.0026
Residential properties R0.0106
Government properties R0.0133
Business / Industrial R0.0133 and
Vacant land R0.0140

The summary of the valuation roll are as follows:

| CATEGORY | | MARKET VALUE |
|---|---|---|
| 1 : RESIDENTIAL | R | 3 667 770 000.00 |
| 2 : BUSINESS & COMMERCIAL | R | 738 219 000.00 |
| 3 : INDUSTRIAL | R | 15 400 000.00 |
| 4 : ACCOMMODATION ESTABLISHMENT | R | 62 051 000.00 |
| 5 : PROPERTIES USED FOR PUBLIC BENEFIT ACTIVITIES | R | 54 217 000.00 |
| 6 : FARMS RESIDENTIAL | R | 631 632 000.00 |
| 7 : FARMS AGRICULTURAL | R | 3 818 881 000.00 |
| 8 : FARMS BUSINESS & COMMERCIAL | R | 586 359 000.00 |
| 9 : FARMS VACANT LAND | R | 528 796 000.00 |
| 10 : FARMS OTHER | R | 45 635 000.00 |
| 11 : SMALLHOLDING RESIDENTIAL | R | 123 903 000.00 |
| 12 : SMALLHOLDING AGRICULTURAL | R | 18 803 000.00 |
| 13 : SMALLHOLDING BUSINESS & COMMERCIAL | R | 39 994 000.00 |
| 14 : SMALLHOLDING VACANT LAND | R | 167 484 000.00 |
| 15 : SMALLHOLDING OTHER | R | 393 000.00 |
| 17 : PSI | R | 8 433 000.00 |
| 18 : PRIVATE OPEN SPACE | R | 15 959 000.00 |
| 19 : VACANT BUSINESS & COMMERCIAL/INDUSTRIAL LAND | R | 8 616 000.00 |
| 20 : VACANT RESIDENTIAL LAND | R | 776 268 000.00 |
| 21 : MUNICIPAL PROPERTY | R | 21 078 000.00 |
| Total : | R | **11 329 891 000.00** |

## 24. Service charges

| | | |
|---|---|---|
| Sale of electricity | 102 848 230 | 103 326 621 |
| Sale of water | 23 259 071 | 22 624 734 |
| Solid waste | 6 073 808 | 6 171 908 |
| Sewerage and sanitation charges | 14 862 227 | 9 464 684 |
| | **147 043 336** | **141 587 947** |

# Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

## 25. Government grants and subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Equitable share | 68 411 000 | 63 428 000 |
| Finance Management Grant | 1 625 000 | 1 600 000 |
| Municipal System Improvement Grant | - | 930 000 |
| SETA | 277 649 | 164 293 |
| Extended Public Works Program | 1 082 000 | 1 083 000 |
| Municipal Water Infrastructure Grant | 30 000 000 | 10 000 000 |
| Intergration National Electrification Programme | 16 006 998 | 2 000 000 |
| | 117 402 647 | 79 205 293 |
| **Capital grants** | | |
| Municipal Infrastructure Grant | 58 495 241 | 25 047 098 |
| | 58 495 241 | 25 047 098 |
| | **175 897 888** | **104 252 391** |

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Finance Management Grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | (33) | (33) |
| Current-year receipts | 1 625 000 | 1 600 000 |
| Conditions met - transferred to revenue | (1 625 000) | (1 600 000) |
| | **(33)** | **(33)** |

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

The conditions of the grant are as follows:
- Appointment of an appropriately skilled municipal manager and CFO
- Appointment of at least two interns for purposes of building future financial management capacity
- Council resolution committing council to reforms
- Submission of primary bank account details
- Development of an action plan for implementation
- Monthly reporting on performance

### Municipal System Infrastructure Grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | 268 | 268 |
| Current-year receipts | - | 930 000 |
| Conditions met - transferred to revenue | - | (930 000) |
| | **268** | **268** |

Municipal Systems Improvement Grant (MSIG) deals with transfers to assist municipalities with building in-house capacity to perform their functions and stabilise institutional and governmental systems

### Department of Water and Forestry Grant

| | | |
|---|---|---|
| Balance unspent at beginning of year | 105 | 105 |

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and the environment, through effective policies, integrated planning, strategies, knowledge base and procedures.

### Municipal Infrastructure Grant

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| Balance unspent at beginning of year | 34 434 029 | - |
| Current-year receipts | 72 005 029 | 61 989 000 |
| Conditions met - transferred to revenue | (92 929 270) | (27 554 971) |
| | **13 509 788** | **34 434 029** |

The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to municipalities. The key principles underpinning the design of the MIG are outlined below:

a) Focus on infrastructure required for a basic level of service: The MIG programme is aimed at providing only basic infrastructure.

b) Targeting the poor: The programme is aimed at providing services to the poor and funds will therefore be targeted to reach them.

c) Maximising economic benefits: The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised. This includes employment creation and the development of enterprises.

d) Equity in the allocation and use of funds: The mechanism for distributing funds must provide for equitable access to such funds by the poor in order to make uniform progress in closing the infrastructure gap.

**SETA Grant**

| | | |
|---|---|---|
| Current-year receipts | 277 649 | 164 293 |
| Conditions met - transferred to revenue | (277 649) | (164 293) |
| | - | - |

The grant is utilise for training of officials in the municipality.

**Disaster Management Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | (234) | (234) |

Conditions still to be met - remain liabilities (see note 17).

The grant is utilised to fund relief operations after disasters within the jurisdiction of the municipality. The municipality were declared a disaster in March 2014. All condition relating to the grant were met during the 2014 financial year and the balance is carried forward from previous year. The amount which is considered immaterial will be taken to council during the 2018 financial year to be written off after following relevant process.

**Expanded Public Works Program**

| | | |
|---|---|---|
| Balance unspent at beginning of year | (106) | (106) |
| Current-year receipts | 1 082 000 | 1 083 000 |
| Conditions met - transferred to revenue | (1 082 000) | (1 083 000) |
| | **(106)** | **(106)** |

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

**Municipal Water Infrastructure Grant (MWIG)**

| | | |
|---|---|---|
| Current-year receipts | 30 000 000 | 10 000 000 |
| Conditions met - transferred to revenue | (30 000 000) | (10 000 000) |
| | - | - |

The purpose of this grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

**Integrated National Electrification Programme**

| | | |
|---|---|---|
| Current-year receipts | 28 000 000 | 2 000 000 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|
| Conditions met - transferred to revenue | (16 006 998) | (2 000 000) |
| | **11 993 002** | - |

The purpose of this grant is to facilitate the planning, funding and implementation of national eletrification projects and all related bulk infrastructure.

### 26. Donations

| | | |
|---|---|---|
| Current year receipts | - | 7 270 367 |

Provide explanations of conditions still to be met and other relevant information

### 27. Other income

| | | |
|---|---|---|
| Insurance claims | 118 131 | 255 695 |
| Surplus cash | 6 207 551 | 2 085 |
| Engineering levy | - | 19 137 |
| Fire brigate levies | 675 | 617 |
| Meter testing | 2 778 | 3 421 |
| New connections | 28 532 | 42 577 |
| Panelties - tamper meters | 16 332 | 157 306 |
| Advertising | 3 630 | 63 292 |
| Re-connections | 163 743 | 292 031 |
| Received from District Council | 560 390 | 562 648 |
| Refuse bins | 50 351 | 36 034 |
| Street trading | 1 013 | 1 863 |
| Miscellaneous income | 40 366 | 155 518 |
| Procurement income | 419 012 | 283 486 |
| | **7 612 504** | **1 875 710** |

### 28. Fines

| | | |
|---|---|---|
| Traffic fines | 12 756 400 | 3 028 800 |

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

### 29. General expenses

| | | |
|---|---|---|
| Advertising | 460 867 | 523 806 |
| Auditors remuneration | 2 716 970 | 2 553 040 |
| Bank charges | 989 484 | 810 499 |
| Cleaning | 203 201 | 237 336 |
| Commission paid | 4 282 411 | - |
| Consulting and professional fees | 3 485 250 | 19 539 197 |
| Debt collection | 1 919 663 | 2 839 309 |
| Donations | - | 14 719 766 |
| Entertainment | 2 969 | 2 763 |
| Internal audit | 395 663 | 1 140 847 |
| Mayoral bursary | 720 | - |
| Insurance excess payments | - | 17 101 |
| IT expenses | 3 326 458 | (85 354) |
| Lease rentals on operating lease | 11 770 946 | 21 635 188 |
| Fuel and oil | 3 681 630 | 2 980 643 |
| Recruitment costs | 57 529 | 6 200 |
| Postage and courier | 524 389 | 4 799 |
| Printing and stationery | 801 362 | 674 797 |
| Town planning cost | 10 750 | - |
| Research and development costs | 103 155 | 342 502 |
| Staff welfare | - | 97 124 |
| Subscriptions and membership fees | - | 1 280 400 |
| Telephone and fax | 797 137 | 897 292 |
| Extinguish material | 3 296 | - |
| Uniforms | 688 010 | 1 013 301 |
| Community outreach program | 1 360 876 | 1 547 824 |
| Equitable share levy | 1 969 728 | 2 462 910 |
| Valuation costs | 752 318 | 1 453 064 |
| Risk and asset management | 3 094 970 | 37 625 |
| Contractor services | 7 275 899 | 10 180 967 |
| Delegation costs | 1 797 094 | 1 169 975 |
| Capacity building | 637 040 | 1 043 225 |
| Chemicals | 690 820 | 758 712 |
| | **53 800 605** | **89 884 858** |

| Figures in Rand | 2017 | 2016 |
|---|---|---|

### 30. Employee related costs

| | | |
|---|---|---|
| Basic | 64 037 844 | 61 377 667 |
| Bonus | 4 729 692 | 4 731 381 |
| Medical aid | 5 320 659 | 4 875 705 |
| UIF | 1 052 015 | 554 563 |
| SDL | 1 316 159 | 795 211 |
| Leave pay | 1 443 238 | 1 947 385 |
| Current service costs | 2 559 000 | 1 681 000 |
| Post-employment benefits - pension | 12 415 367 | 12 009 623 |
| Overtime payments | 6 668 003 | 5 977 456 |
| Acting allowances | 1 552 261 | 833 379 |
| Transport allowance | 6 701 926 | 6 979 906 |
| Housing allowance | 342 062 | 298 900 |
| Performance bonus | 396 774 | 321 808 |
| Non Pension | 507 157 | 477 665 |
| Long service awards | - | 25 806 |
| Unions contributions | - | (23 237) |
| Cellphone allowance | 1 362 993 | 827 420 |
| | **110 405 150** | **103 691 638** |

**Remuneration of municipal manager**

| | | |
|---|---|---|
| Annual Remuneration | 941 777 | 869 723 |
| Car Allowance | 385 916 | 357 330 |
| Contributions to UIF, Medical and Pension Funds | 220 429 | 210 636 |
| Cellphone allowance | 27 156 | 295 374 |
| Other allowances | 229 127 | 140 812 |
| | **1 804 406** | **1 873 875** |

The Municipal Manager was appointed on 01 January 2015.

**Remuneration of chief finance officer**

| | | |
|---|---|---|
| Annual Remuneration | 139 680 | 698 400 |
| Car Allowance | 49 368 | 246 840 |
| Contributions to UIF, Medical and Pension Funds | 6 969 | 32 757 |
| Cellphone allowance | 3 400 | 17 000 |
| Other allowances | 352 510 | 1 150 |
| | **551 927** | **996 147** |

The Chief Financial Officer resigned on 31 August 2016.

**Remuneration corporate services manager**

| | | |
|---|---|---|
| Acting allowance | 231 385 | 142 564 |
| | **231 385** | **142 564** |

The Manager Corporate Services was vacant during the current year.

**Remuneration of social and community services manager**

| | | |
|---|---|---|
| Acting allowance | 170 339 | 182 744 |
| | **170 339** | **182 744** |

The Manager of social and community services was vacant during the current year.

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

**Remuneration of planning and economic development manager**

| | | |
|---|---|---|
| Annual Remuneration | 638 097 | 575 740 |
| Car Allowance | 270 770 | 241 619 |
| Contributions to UIF, Medical and Pension Funds | 183 101 | 169 632 |
| Cellphone allowance | 18 000 | 18 000 |
| Other allowances | 148 635 | 158 494 |
| | **1 258 603** | **1 163 485** |

The Manager Planning and Economic Development was employed from 01 September 2014.

**Remuneration of technical services manager**

| | | |
|---|---|---|
| Annual Remuneration | 597 849 | 589 320 |
| Car Allowance | 254 920 | 232 980 |
| Contributions to UIF, Medical and Pension Funds | 181 255 | 175 876 |
| Cellphone allowance | 18 000 | 18 000 |
| Other allowance | 148 074 | 2 646 |
| | **1 200 099** | **1 018 822** |

The Manager Technical Services was appointed 01 July 2015

### 31. Remuneration of councillors

| | | |
|---|---|---|
| Mayor | 782 737 | 778 852 |
| Chief Whip | 583 293 | 673 120 |
| Executive Committee Members | 2 333 495 | 2 135 306 |
| Speaker | 542 293 | 691 881 |
| Councillors | 2 036 176 | 2 046 723 |
| | **6 277 994** | **6 325 882** |

# Notes to the Annual Financial Statements

Figures in Rand

**Reconciliation of councillors - 2017**

| | Position | Annual salary | Travelling allowance | Medical | Backpay | Reimbursement | Pension contribution @ 15% | Cell allowance | Mobile data | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Ngobeni MJ | Mayor -FT | 461 934 | 185 872 | 38 920 | 321 | - | 69 290 | 22 800 | 3 600 | - | 782 737 |
| Moeletsi RZ | Speaker -FT | 428 076 | - | 31 330 | 297 | - | 58 390 | 20 900 | 3 300 | - - | 542 293 |
| Ledwaba MH | Chief Whip -FT | 393 598 | 94 752 | - | 260 | 9 243 | 59 040 | 22 800 | 3 600 | 8)1 | 583 293 |
| Maluleka SE | EC Member - FT | 352 851 | 144 415 | 38 423 | 424 | 6 164 | 52 928 | 22 800 | 3 600 | 9)4 | 621 604 |
| VD Merwe JF | EC Member - PT | 273 192 | - | - | 112 | - | 40 979 | 22 800 | 3 600 | 4)6 | 340 683 |
| Shika MA | EC Member - PT | 179 660 | 56 201 | 12 661 | 7 138 | 7 058 | 26 949 | 20 900 | 3 300 | - - | 313 867 |
| Modimola LR | EC Member - PT | 248 013 | 11 050 | - | 7 176 | 2 034 | 37 202 | 22 800 | 3 600 | - - | 331 875 |
| Hlungwane FS | EC Member - PT | 177 573 | 75 163 | 26 442 | 7 195 | 14 595 | 26 636 | 22 800 | 3 600 | - - | 354 004 |
| Aphane PM | EC Member - PT | 170 518 | 73 361 | 30 193 | 7 195 | 38 218 | 25 578 | 22 800 | 3 600 | 5) | 371 462 |
| Mosoeu AR | Councillor -PT | 149 558 | 43 790 | - | 5 628 | 3 500 | 22 434 | 20 900 | 3 300 | 4)3 | 249 110 |
| Seale SD | Councillor -PT | 145 418 | 43 790 | - | 5 628 | 3 500 | 21 813 | 20 900 | 3 300 | - - | 244 349 |
| Malete YMS | Councillor -PT | 137 601 | 40 433 | 26 918 | 5 628 | 8 146 | 20 640 | 20 900 | 3 300 | - - | 263 566 |
| Masemola TR | Councillor -PT | 178 483 | - | 10 021 | 5 628 | 3 500 | 26 772 | 20 900 | 3 300 | - - | 248 604 |
| Mothokwa KF | Councillor -PT | 182 829 | - | 5 586 | 5 628 | 3 792 | 27 424 | 20 900 | 3 300 | 2)8 | 249 460 |
| Makhubela MJ | Councillor -PT | 183 503 | - | - | 5 628 | 3 500 | 27 526 | 20 900 | 3 300 | - - | 244 357 |
| Ras MN | Councillor -PT | 201 994 | - | - | 5 443 | - | 30 299 | 22 800 | 3 300 | - - | 263 836 |
| Senosha MD | Councillor -PT | 151 489 | 58 070 | - | 5 591 | 8 621 | 22 723 | 22 800 | 3 600 | 5 - | 272 894 |
| | | **4 016 379** | **826 897** | **220 494** | **74 920** | **111 871** | **596 623** | **372 400** | **58 500** | **- 2** | **6 277 994** |

# Notes to the Annual Financial Statements

Figures in Rand

**Reconciliation of councillors - 2016**

| | Position | Annual salary | Travelling allowance | Medical | Back pay | Reimbursement | Pension contribution @ 15% | Cell allowance | Mobile data | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Nhlapo ML | Mayor- FT | 438 635 | 183 743 | 42 878 | 23 052 | 281 | 65 795 | 20 868 | 3 600 | 778 582 |
| Maluleka SE | Speaker- FT | 350 190 | 146 995 | 38 202 | 18 442 | 60 653 | 52 581 | 20 868 | 3 600 | 691 531 |
| Radebe RM | Chief Whip-FT | 309 448 | 137 809 | 65 535 | 17 289 | 71 751 | 46 470 | 20 868 | 3 600 | 640 321 |
| VD Merwe JF | EC Member- PT | 264 167 | - | - | 10 377 | - | 39 625 | 20 868 | 3 600 | 338 637 |
| Ngobeni MJ | EC Member- PT | 329 177 | 137 806 | 34 759 | 17 289 | 4 425 | 49 480 | 20 868 | 3 600 | 597 404 |
| Mokonyane TE | EC Member- PT | 184 916 | 70 886 | - | 9 682 | - | 27 737 | 20 868 | 3 600 | 317 689 |
| Mokgethoa WKR | EC Member- PT | 167 323 | 64 141 | - | 9 682 | - | 25 098 | 20 868 | 3 600 | 290 712 |
| Malete GT | EC Member- PT | 223 010 | - | - | 9 682 | - | 33 465 | 20 868 | 3 600 | 290 714 |
| Mahlangu PM | EC Member- PT | 167 323 | 64 141 | - | 9 682 | 8 748 | 25 098 | 20 868 | 3 600 | 299 461 |
| Aphane PM | Councillor-PT | 125 787 | 55 234 | 26 992 | 7 544 | - | 18 868 | 20 868 | 3 600 | 258 893 |
| Ras MN | Councillor-PT | 192 118 | - | - | 7 544 | - | 28 818 | 20 868 | 3 600 | 252 948 |
| Hlungwane FS | Councillor-PT | 139 014 | 61 979 | 26 305 | 7 544 | 15 175 | 20 852 | 20 868 | 3 600 | 295 337 |
| Ledwaba MH | Councillor-PT | 215 573 | - | - | 7 544 | 2 356 | 32 336 | 20 868 | 3 600 | 282 277 |
| Senosha MD | Councillor-PT | 144 087 | 55 237 | - | 7 544 | 601 | 21 613 | 20 868 | 3 600 | 253 550 |
| Alberts KB | Councillor-PT | 119 253 | 45 714 | - | 7 544 | - | 17 888 | 17 390 | 3 000 | 210 789 |
| Mpete LR | Councillor-PT | 144 016 | 49 216 | - | 7 544 | - | 21 602 | 20 868 | 3 600 | 246 846 |
| Sesane MJ | Councillor-PT | 215 573 | - | - | 7 544 | - | 32 336 | 20 868 | 3 600 | 279 921 |
| | | **3 729 699** | **1 072 901** | **234 671** | **185 529** | **163 990** | **559 662** | **351 278** | **60 600** | **6 325 882** |

**In-kind benefits**

The mayor, speaker and chief whip are full-time. Each is expected to be provided with an office and secretarial support at the cost of the Council.

The remuneration of Councillors and political office-bearers are within the upper limits

# Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

## 32. Debt impairment

| | | |
|---|---|---|
| Debt impairment - traffic fines | 13 779 686 | 5 146 338 |
| Debt impairment - consumer debtors | 18 529 778 | 24 030 137 |
| | **32 309 464** | **29 176 475** |

## 33. Interest received

| | | |
|---|---|---|
| **Interest revenue** | | |
| Interest received - investment | 2 583 439 | 940 360 |
| Interest charged on trade and other receivables | 7 896 040 | 5 294 784 |
| | **10 479 479** | **6 235 144** |

## 34. Fair value adjustments

| | | |
|---|---|---|
| Investment property (Fair value model) | 12 278 941 | 13 203 875 |

## 35. Depreciation and amortisation

| | | |
|---|---|---|
| Property, plant and equipment | 49 036 709 | 30 808 519 |

## 36. Impairment of assets

| | | |
|---|---|---|
| **Impairments** | | |
| Property, plant and equipment | 237 576 | 66 513 |

## 37. Actuarial Gain / (Loss)

| | | |
|---|---|---|
| Actuarial gain / (loss) - post employment medical aid | (196 776) | 642 000 |
| Actuarial gain / (loss) - long service award | 2 965 700 | (8 127 400) |
| | **2 768 924** | **(7 485 400)** |

## 38. Finance costs

| | | |
|---|---|---|
| Finance leases | 3 858 631 | 2 424 098 |
| Interest on landfill site | 2 181 499 | 1 208 718 |
| Employee benefit obligation | 4 277 000 | 2 863 000 |
| | **10 317 130** | **6 495 816** |

## 39. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 2 716 970 | 2 553 040 |

## 40. Rental of facilities and equipment

| | | |
|---|---|---|
| **Facilities and equipment** | | |
| Rental of facilities | 1 099 298 | 1 106 503 |

## 41. Bulk purchases

| | | |
|---|---|---|
| Electricity | 80 086 174 | 73 616 039 |
| Water | 5 141 308 | 5 298 958 |
| | **85 227 482** | **78 914 997** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

### 42. Cash generated from operations

| | | |
|---|---|---|
| Surplus (deficit) | 77 911 228 | (37 622 761) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 49 036 709 | 30 808 518 |
| Deposits | (4 892 504) | 2 199 020 |
| Sundry | 5 251 466 | (3 800 261) |
| Fair value adjustments | (12 278 941) | (13 203 875) |
| Non cash - donation received | - | (7 270 367) |
| Financing - interest expense | 10 317 130 | 6 495 816 |
| Non cash - donation on investment property | - | 14 719 767 |
| Impairment loss | 237 576 | 66 513 |
| Debt impairment | 5 477 180 | - |
| Loss on disposal | 3 514 272 | 1 968 058 |
| Obligations | (2 170 024) | 8 089 000 |
| Movements in provisions | (82 793) | 132 885 |
| **Changes in working capital:** | | |
| Inventories | (23 315) | (10 868) |
| Receivables from exchange transactions | (2 054 029) | 12 227 639 |
| Consumer debtors from non-exchange transactions | 3 199 823 | - |
| Other receivables from non-exchange transactions | 3 199 823 | - |
| Payables from exchange transactions | (5 636 886) | 31 520 427 |
| VAT | (12 007 797) | (490 794) |
| Unspent conditional grants and receipts | (8 931 239) | 34 434 029 |
| | **110 067 679** | **80 262 746** |

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
|---|---|---|

### 43. Commitments

**Capital commitments**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Property, plant and equipment | 37 428 702 | 27 808 564 |
| | | |
| **Not yet contracted for and authorised by accounting officer** | | |
| • Property, plant and equipment | 291 473 874 | 263 317 105 |
| | | |
| **Operational commitments** | | |
| • Property, plant and equipment | 12 690 073 | 112 607 704 |

This committed expenditure relates to property plant and equipment as required by GRAP 19 and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Municipality entered into contracts ranging between 24 to 36 months with various service provider for different needs. These contract have met condition required as per GRAP 19 for disclosure as commitment expenditure.

**Operating leases - as lessee (expense)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 9 934 614 | 9 473 272 |
| - in second to fifth year inclusive | 6 137 051 | 15 042 703 |
| | **16 071 665** | **24 515 975** |

Operating lease payments represent rental payable by the municipality to the following service providers:

**Nashua** - we leases printers from Nashua for a period of 36 months, effective from 24 July 2014. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

**Fedelity** - we have a lease with Fedelity Cash Solution for a period of 3 years, effective from 1 August 2014. The lease payment is R10074.51 (vat exl)per month with an annual escalation of 7.5%. The lease agreement is not renewable at the end of the lease term. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

**Bertobrite Fleet Management** - we lease vehicles from Bertobrite Fleet Management for a period of 36 months, effective from 01 February 2016. There were no defaults or breaches and no terms or conditions were renegotiated during the reporting period.

**Operating leases - as lessor (income)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 564 592 | 1 243 182 |
| - in second to fifth year inclusive | 385 663 | 274 284 |
| - later than five years | 79 960 | 260 353 |
| | **1 030 215** | **1 777 819** |

The municipality owns properties that are leased out to the employees for the period not exceeding 12 months. The Municipality leases land to variour entities for the purposes of farming and network equipment transmission. Lease periods range from five to ten years.

## Notes to the Annual Financial Statements

| Figures in Rand | 2017 | 2016 |
| --- | --- | --- |

### 44. Contingencies

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amounts have not been provided in certain cases as the court has not yet determined a value.

1. Charles Dennis Duggan & 3. The applicants requesting an order that the municipality relocate the occupiers of erf 1491 & 1492 to suitable and alternative land.The The municipality may be subjected to a claim of R450 000 .The municipality had filed opposing papers on the 17 February 2016 and are awaiting responses from all cited parties.

2. Dikala Plant Hire.This claim is regarding the dispute of the termination of the service level agreement and the validity of joint venture agreement between Dikala and BBT. The matter was heard on the 24 October 2016. We confirm that on 9 November 2016 Judgment was delivered in favour of Dikala Plant Hire CC and against the Municipality and BBT. We record that our views, together with those of our legal team is that the judge erred in his findings as we felt that he did not fully understand the matter. As a result, the Municipality instructed its legal team to appeal the judgment. Currently, leave to appeal has been granted the appeal will be heard on 19 March 2019.The municipality may be subjected to a claim of R17 525 661.75

3. Elaine Wildey.It is alleged that damage occurred to Ms. Wildey's vehicle whilst on the R101 road due to a pot hole on the road.The value of the claim is R24 289.48.We have entered a notice of intention to defend the matter and later filed our plea. The plaintiff's attorneys did not take the matter any further. Our attorneys have kept the file in abeyance pending further action by the Plaintiff's attorneys. The Plaintiffs were made aware that the Municipality is not responsible for the maintenance of the R101 road.

4. Fawcett Security Services. On 27 January 2016 Fawcett security made an urgent application in the high court after the municipality terminated their contract. The said application was dismissed with cost by the high court.The Sheriff served combined summons at records on the 27 January 2016 which does not constitute proper service and subsequent to that Fawcett Security obtained default judgment against the Municipality as the summons were not attended to.The Municipality has launched an application to set aside the default judgment which was granted on 7 August 2017. The Municipality will proceed to defend the summons currently. Settlement of the lititgation is estimated to be R7 472 502.

5. Isabella Frederika Van Emmenis. The Plaintiff issued summons in the local district court suing the Municipality together with Mr Petrus Baloyi, an employee of council, payment in the amount of R66 793.75 for the collision that happened on the 18 August 2015 at the intersection of potgieter and Pretoria roads. Mr Baloyi is alleged to have been the driver driving a caterpillar at the time of the collision. We have entered notice of intention to defend and the filed a plea. Our attorneys have attended a pre-trial conference and we now await a trial date.

6. Belalogix CC t/a Brand It. Application to interdict Bela Bela Branding initiative CC from operating outdoor advertising on behalf of the Municipality illegally. The Application is set down to be heard on the 15 August 2017.The municipality gave consent to Brand It to do outdoor advertising on it's behalf in February, however the Bela Bela Branding Initiative who's contract expired a long time ago is still operating illegally in as far as outdoor advertising is concerned in the town. The value of the claim is estimated at R230 000.

7. Ngobi Cyferskuil Taxi Association. The Applicant obtained a rule nisi in the Regional Court Modimolle against Warmbaths Taxi Association on 24 March 2017 and cited the Municipality as the Second Respondent. There is no specific order sought against the Municipality however the rule nisi (interim order) is against the Municipal Land Use Scheme. In terms of the Land Use Scheme the Erf is zoned for business and the land use is as per zoning certificate and a taxi rank is not permitted to operate on the premises as directed by the court. Matter Struck Off Roll on 21 July 2017 on a technicality and may be re-instituted by the Applicants. The value of the claim is estimated at R130 000.

### 45. Related parties

**Relationships**

| | |
| --- | --- |
| Accounting Officer | Refer to accounting officer's report note |
| Members of key management and councillors | Refer to note 30 & 31 |

## 46. Prior period errors

1. During the 2016/17 financial year we've identified that:

1.1 Infrastructure assets incorrectly capitalised in the 2016 financial year were derecognised in the 2016 financial period and capitalised during the current financial period. These assets met the condition of capitalised in the current financial year.;
1.2 Land and buildings in PPE used as a taxi rank are not under the control of the municipality. These have been derecognised in order to correct the 2017 opening balance and
1.3 Investment property - Erf 1402 has been subdivided and the remaining extent of the township / erf no longer exists. This subdivision was registered in a prior financial year and the derecognition of the remainder has been backdated accordingly to correct the 2017 opening balance.
1.4 Plant and machinery - The asset register included assets with credit balances, as a result of incorrect derecognition of accumulated depreciation in prior period.
1.5 Sundry debtor was raised for assets delivered in the current year, however payment happen in the prior year.
1.6 Interest received - Accrued income was never raised for interest received during the 2015/16 financial year, therefore a debtor was raised to accrued for the interest.
1.7 Asset register has been align to be MSCOA compliant, therefore the asset register had some re-alignment.

The correction of the error(s) results in adjustments as follows:

| Statement of financial position | Audited AFS 30 June 2016 | Restated AFS 30 June 2016 | Restatements |
|---|---|---|---|
| Property, plant and equipment | 591 194 946 | 589 207 455 | (1 987 491) |
| Investment properties | 343 300 758 | 343 027 146 | (273 612) |
| Sundry debtor | 9 702 111 | 10 005 350 | 303 239 |
| Opening Accumulated Surplus or Deficit | 753 025 632 | 751 336 789 | 1 957 864 |

## 47. Risk management

### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality credit profile and diversified funding sources to ensure that sufficient liquid funds are maintained to meet its daily cash requirements . The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The municipality manages liquidity risk through ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared.

### Credit risk

This creditworthiness can mainly be ascribed to three things,

(i) adequate revenue that supports borrowing
(ii) reliable financial information, which is necessary for public disclosure, and
(iii) proper credit ratings.

All three these elements are important to ensure municipal creditworthiness. The municipality faces enormous constraints on all three these elements.

The municipality does not have adequate revenue to support borrowing, mainly due to debt outstanding and the collection is hampered by the poverty levels which increase the indigent book of the municipality. Incentives were implemented to enter into agreement with debtors with intention to write –off 50% of debts owed if 50% is paid within agreed time.

The reliability of financial information is determined by factors such Auditor General's opinion of financial statements which will turn effect credit ratings of municipality

Council took a resolution to pay-off its loan term loan with INCA within next twelve months and the loan is converted into short-term as result of the decision taken. As a result of restructuring the outstanding amount as at 30 June 2015 is R3 278 875 and it was settled at 30 September 2015.

### Interest rate risk

The municipality's interest rate risk arises from investments at variable rates which exposes the municipality to cash flow interest rate risk. Investment at fixed rates exposes the municipality to fair value interest rate risk. The municipal policy is to not invest with one institution and to invest at differest maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are call deposits.

Refer to note15 that indicates the breakdown of all the investments.

### 48. Unauthorised expenditure

| | | |
|---|---|---|
| Opening balance | - | 30 875 995 |
| Less:Irrecoverable - last year | - | (30 875 995) |
| Current year | 40 046 173 | - |
| | **40 046 173** | **-** |

Unauthorised expenditure was as result of under budgeting of non-cash item relating to depreciation and debt impartment.

The municipality took an exercise to fully comply with GRAP 17 (Property, plant and Equipment). This exercise has led to an increase in depreciation, although these expenditures are considered non-cash items as there is no transaction with any service provider and supplier. This was as result of unexpected events that gave rise to the asset after the adoption of the budget.

There were also other condition relating to indigent write off which was unexpected and also led to increase in debt impairment over the original budget.

### 49. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Opening balance | 1 475 961 | 618 070 |
| Fruitless and wasteful expenditure current year | 2 014 995 | 857 891 |
| Less: Amounts condoned | (1 475 961) | - |
| | **2 014 995** | **1 475 961** |

The current year fruitless and wasteful expenditure amounting to R2 014 995 relates to interest charge on late payment of invoices from Eskom (R1 907 094), Auditor General (R48 849) and Magalies (R59 052).

### 50. Irregular expenditure

| | | |
|---|---|---|
| Opening balance | 682 816 | 52 704 069 |
| Add: Irregular Expenditure - current year | 446 446 | 1 986 263 |
| Less: Amounts condoned | (1 129 262) | (54 007 516) |
| | **-** | **682 816** |

The current year irregular expenditure amounting to R446 446 relate to contract awarded to services provider without following proper process during the 2016 financial period. The amount of irregular spent during the 2017 financial period was submitted for investigation and subsequent to that, condoned as required by section 32 of MFMA

### 51. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

| | | |
|---|---|---|
| Current year subscription / fee | 1 172 291 | 951 743 |
| Amount paid - current year | - | (951 743) |
| | **1 172 291** | **-** |

#### Material losses through criminal conduct

| | | |
|---|---|---|
| Opening balance | 858 454 | 858 454 |
| Current year | 12 675 | - |
| | **871 129** | **858 454** |

The current year reported losses arises as result of unusual debit orders on the primary bank account which have not been authorised by the Municipality. The matter had been reported to internal audit department for further investigation.

#### Audit fees

| | | |
|---|---|---|
| Opening balance | 342 571 | 59 252 |
| Current year subscription / fee | 4 896 605 | 2 836 359 |
| Amount paid - current year | (2 716 970) | (2 553 040) |
| | **2 522 206** | **342 571** |

#### PAYE and UIF

| | | |
|---|---|---|
| Opening balance | 1 136 690 | 963 684 |
| Current year subscription / fee | 14 436 155 | 13 295 717 |
| Amount paid - current year | (14 348 471) | (13 122 711) |
| | **1 224 374** | **1 136 690** |

#### Pension and medical aid deductions

| | | |
|---|---|---|
| Opening balance | 2 273 094 | 2 011 044 |
| Current year subscription / fee | 9 198 148 | 8 699 250 |
| Amount paid - current year | (10 696 072) | (8 437 200) |
| | **775 170** | **2 273 094** |

Figures in Rand

VAT

| | | |
|---|---|---|
| VAT receivable | 18 129 633 | 6 121 836 |

VAT output payables and VAT input receivables are shown in note 13.

All VAT returns have been submitted by the due date throughout the year.

**Councillors' arrear consumer accounts**

The following councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

| 30 June 2017 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|---|---|---|---|
| MH Ledwaba | 3 669 | 3 043 | 6 712 |
| YMS Malete | 2 505 | 183 | 2 688 |
| RZ Moeletsi | 916 | - | 916 |
| REMM Mseze | 3 191 | 2 551 | 5 742 |
| NJ Senosha | 1 782 | 1 578 | 3 360 |
| JERL Seale | 1 613 | - | 1 613 |
| TR Masemola | 1 129 | - | 1 129 |
| LR Mpete | 626 | - | 626 |
| SS Steward | 304 | 3 685 | 3 989 |
| FS Hlungwane | 546 | - | 546 |
| SE Maluleka | 2 754 | 810 | 3 564 |
| MJ Ngobeni | 397 | - | 397 |
| MJ Makhubela | 451 | - | 451 |
| HP Mothokwa | 324 | - | 324 |
| JFMP Van Der Merwe | 4 807 | - | 4 807 |
| | **25 014** | **11 850** | **36 864** |

| 30 June 2016 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|---|---|---|---|
| REM Radebe | 318 | - | 318 |
| SE Maluleka | 818 | - | 818 |
| MJ Ngobeni | 248 | - | 248 |
| ML Nhlapo | 2 337 | - | 2 337 |
| JFMP Van Der Merwe | 4 855 | - | 4 855 |
| MJ Sesane | 386 | - | 386 |
| FS Hlungwane | 276 | - | 276 |
| MH Ledwaba | 3 749 | - | 3 749 |
| | **12 987** | **-** | **12 987** |

During the year all Councillors were informed about the amount owing and were informed that they are in contravention of Scheme B of the Municipal Systems Act.

Process through issuing of letters of demand to outgoing councillors and entering into debt agreement with the current officer bearers were instituted by the Municipality to collect outstanding Councillors debts.

# Notes to the Annual Financial Statements



### 52. Deviation from supply chain management regulations

Paragraph 36(2) of SCM regulation states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that the accounting officer records the reasons for any deviations and then reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.
In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances: •

- Sole suppliers
- Emergency
- Impracticality

In terms of section 36 of the **Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year were approved by the accounting officer and noted by council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:**

| | 2016 | 2017 |
|---|---|---|
| Deviation from SCM regulation | R447 748 | R3 042 221 |

The current year deviation relate to contract awarded to service provider during 2013/14 financial period. The deviation process was properly obtained in accordance to the Supply Chain Regulation, however, there was amount owing which relate to the same award made during 2014 which the settlement was only done during the 2017 financial period.

### 53. Distribution Losses

Distribution losses incurred by the Municipality were as follows:

**2017**

| **Description** | **Water** | **Electricity** | **Total** |
|---|---|---|---|
| Purchases | 2 594 260 | 93 345 528 | 95 939 788 |
| Sales | 1 873 008 | 79 310 109 | 81 183 117 |
| **Losses (Kl or Kwh)** | **721 252** | **14 035 419** | **14 756 671** |
| **Amount losses (R)** | **3 707 235** | **18 842 549** | **22 549 784** |
| **Percentage losses** | **27.80%** | **15.04%** | **42.84%** |
| | | | |
| **Avoidable losses** | | | |
| Units (Kl or Kwh) | 464 486 | 701 771 | 1 166 257 |
| Amounts (R) | 2 387 458 | 942 127 | 3 329 585 |
| Percentage | **17.90%** | **5.04%** | **22.94%** |
| | | | |
| **Technical losses** | | | |
| Units (Kl or Kwh) | 256 766 | 13 333 648 | 13 590 414 |
| Amounts (R) | 1 319 777 | 17 900 422 | 19 220 199 |
| Percentage | **10%** | **10%** | **20%** |

| **2016**<br>**Description** | **Water** | **Electricity** | **Total** |
|---|---|---|---|
| Purchases | 2 432 643 | 93 748 617 | 96 181 260 |
| Sales | 1 819 853 | 77 667 529 | 79 487 382 |
| **Losses (Kl or Kwh)** | **612 790** | **16 081 088** | **16 693 878** |
| **Amount losses (R)** | **7 163 515** | **20 016 130** | **27 179 645** |
| **Percentage losses** | **25.19%** | **17.15%** | **42.34%** |
| | | | |
| **Avoidable losses** | | | |
| Units (Kl or Kwh) | 247 894 | 14 472 979 | 14 720 873 |
| Amounts (R) | 2 897 881 | 18 014 517 | 20 912 398 |
| Percentage | **10.19%** | **15.44%** | **25.63%** |
| | | | |
| **Technical losses** | | | |
| Units (Kl or Kwh) | 364 896 | 1 608 109 | 1 973 005 |
| Amounts (R) | 4 265 634 | 2 001 613 | 6 267 247 |
| Percentage | **15%** | **1.72%** | **2.05%** |

### 54. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix G3 for the comparison of actual operating expenditure versus budgeted expenditure.

### 55. Budget differences

**Material differences between budget and actual amounts**

# Notes to the Annual Financial Statements

Figures in Rand

N1 - Result of lower consumption
N2 - Vacant unit increased and resulted in decrease in rental
N3 - Unexpected decrease due to relocation of licensing department
N4 - Increase in the number of third parties
N5 - Increase in demand
N6 - Delays on VAT refund from VAT review
N7 - I Surplus cash was invested to yield additional income
N8 - Budget process took into account new valuation roll without considering subsequent objections to the valuations roll
N9 - Additional allocation during the year
N10 - New service provider appointed during the year and first few months spent setting up systems.
N11 - Lower spending as result of cash flow challenges
N12 - Lower than anticipated consumption
N13 - Lower spending as result of cash flow challenges

## Appendix A
June 2017

### Schedule of external loans as at 30 June 2017

| | Loan Number | Redeemable | Balance at 30 June 2016<br>Rand | Received during the period<br>Rand | Redeemed written off during the period<br>Rand | Balance at 30 June 2017<br>Rand | Carrying Value of Property, Plant & Equip<br>Rand | Other Costs in accordance with the MFMA<br>Rand |
|---|---|---|---|---|---|---|---|---|
| **External Loans** | | | | | | | | |
| Annuity Loan - INCA | 00-0003 and 00-0004 | 30 September 2016 | - | - | - | - | - | - |
| | | | - | - | - | - | - | - |
| **Total external loans** | | | | | | | | |
| External Loans | | | - | - | - | - | - | - |
| | | | - | - | - | - | - | - |

## Appendix B

June 2017

# Analysis of property, plant and equipment as at 30 June 2017

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Additions | Derecogntion | Transfers | Reclassify - cost | Other | Closing Balance | Opening Balance | Accumulated impairment opening | Derecognition - Acc depr | Depreciation | Impairment loss | Closing Balance | Carrying value |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Other assets** | | | | | | | | | | | | | | |
| Housing | 21 819 971 | - | - | - | - | - | **21 819 971** | (16 712 657) | - | - | (337 838) | - | **(17 050 495)** | 4 769 476 |
| Operational buildings | 49 531 633 | - | - | - | - | - | **49 531 633** | (22 170 072) | - | - | (1 200 856) | - | **(23 370 928)** | 26 160 705 |
| | **71 351 604** | - | - | - | - | - | 71 351 604 | **(38 882 729)** | - | - | **(1 538 694)** | - | **(40 421 423)** | **30 930 181** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Electricity | 121 445 439 | - | - | - | - | - | **121 445 439** | (75 399 210) | (252 543) | - | (2 749 663) | - | **(78 401 416)** | 43 044 023 |
| Roads | 281 703 345 | 14 801 869 | (655 518) | - | - | - | **295 849 696** | (104 766 690) | (6 628) | 369 025 | (18 162 548) | - | **(122 566 841)** | 173 282 855 |
| Sanitation network | 189 743 001 | 4 797 037 | - | - | - | - | **194 540 038** | (127 101 447) | - | - | (2 720 564) | - | **(129 822 011)** | 64 718 027 |
| Solid waste infrastructure | 15 700 766 | - | - | - | - | **10 704 235** | **26 405 001** | (4 424 510) | - | - | (900 844) | - | **(5 325 354)** | 21 079 647 |
| Storm water | 96 961 549 | 12 628 092 | - | - | - | - | **109 589 641** | (61 785 659) | - | - | (1 857 725) | - | **(63 643 384)** | 45 946 257 |
| Water supply | 268 284 354 | 24 564 161 | (9 771 590) | - | - | - | **283 076 925** | (155 903 372) | (66 513) | 6 999 718 | (5 124 166) | - | **(154 094 333)** | 128 982 592 |
| | **973 838 454** | **56 791 159** | **(10 427 108)** | - | - | **10 704 235** | **1 030 906 740** | **(529 380 888)** | **(325 684)** | **7 368 743** | **(31 515 510)** | - | **(553 853 339)** | **477 053 401** |
| **Community Assets** | | | | | | | | | | | | | | |
| Parks & gardens | 56 034 269 | 14 938 915 | (938 169) | - | 1 744 278 | - | **71 779 293** | (29 678 607) | - | 517 368 | (2 165 512) | (237 576) | **(31 564 327)** | 40 214 966 |
| Recreational facilities | 11 083 134 | 6 047 571 | - | - | 201 186 | - | **17 331 891** | (6 280 248) | - | - | (320 092) | - | **(6 600 340)** | 10 731 551 |
| | **67 117 403** | **20 986 486** | **(938 169)** | - | **1 945 464** | - | **89 111 184** | **(35 958 855)** | - | **517 368** | **(2 485 604)** | **(237 576)** | **(38 164 667)** | **50 946 517** |

# Appendix B

June 2017

## Analysis of property, plant and equipment as at 30 June 2017

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance<br>Rand | Additions<br>Rand | Derecogntion<br>Rand | Transfers<br>Rand | Reclassify - cost<br>Rand | Other<br>Rand | Closing Balance<br>Rand | Opening Balance<br>Rand | Accumulated impairment opening<br>Rand | Derecognition - Acc depr<br>Rand | Depreciation<br>Rand | Impairment loss<br>Rand | Closing Balance<br>Rand | Carrying value<br>Rand |
| **Heritage assets** | | | | | | | | | | | | | | |
| Buildings | 538 950 | - | - | - | - | - | 538 950 | - | - | - | - | - | - | 538 950 |
| | **538 950** | **-** | **-** | **-** | **-** | **-** | **538 950** | **-** | **-** | **-** | **-** | **-** | **-** | **538 950** |
| **Specialised vehicles** | | | | | | | | | | | | | | |
| **Other assets** | | | | | | | | | | | | | | |
| Plant & equipment | 1 338 239 | 726 399 | (56 191) | - | - | - | **2 008 447** | (593 629) | - | 52 848 | (345 859) | - | **(886 640)** | 1 121 807 |
| Furniture & Fittings | 3 811 151 | 934 188 | (302 916) | - | - | - | **4 442 423** | (2 935 577) | - | 280 891 | (434 836) | - | **(3 089 522)** | 1 352 901 |
| Office Equipment | 13 511 631 | 219 622 | (239 790) | - | - | - | **13 491 463** | (9 081 839) | - | 230 110 | (4 094 798) | - | **(12 946 527)** | 544 936 |
| Motor Vehicles | 25 245 313 | - | - | - | - | - | **25 245 313** | (3 392 454) | - | - | (8 451 879) | - | **(11 844 333)** | 13 400 980 |
| Emergency Equipment | 81 046 | 12 203 | (1 636) | - | - | - | **91 613** | (65 388) | - | 1 579 | (8 211) | - | **(72 020)** | 19 593 |
| Work in progress | 53 529 659 | 108 179 580 | - | (77 777 645) | - | - | **83 931 594** | - | - | - | - | - | - | 83 931 594 |
| | **97 517 039** | **110 071 992** | **(600 533)** | **(77 777 645)** | **-** | **-** | **129 210 853** | **(23 727 457)** | **7 798 312** | **565 428** | **(13 475 325)** | **-** | **(28 839 042)** | **100 371 811** |

# Appendix B

June 2017

## Analysis of property, plant and equipment as at 30 June 2017

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance | Additions | Derecogntion | Transfers | Reclassify - cost | Other | Closing Balance | Opening Balance | Accumulated impairment opening | Derecognition - Acc depr | Depreciation | Impairment loss | Closing Balance | Carrying value |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Other assets | 71 351 604 | - | - | - | - | - | 71 351 604 | (38 882 729) | - | - | (1 538 694) | - | (40 421 423) | 30 930 181 |
| Infrastructure | 973 838 454 | 56 791 159 | (10 427 108) | - | - | 10 704 235 | 1 030 906 740 | (529 380 888) | (325 684) | 7 368 743 | (31 515 510) | - | (553 853 339) | 477 053 401 |
| Community Assets | 67 117 403 | 20 986 486 | (938 169) | - | 1 945 464 | - | 89 111 184 | (35 958 855) | - | 517 368 | (2 485 604) | (237 576) | (38 164 667) | 50 946 517 |
| Heritage assets | 538 950 | - | - | - | - | - | 538 950 | - | - | - | - | - | - | 538 950 |
| Other assets | 97 517 039 | 110 071 992 | (600 533) | (77 777 645) | - | - | 129 210 853 | (23 727 457) | 7 798 312 | 565 428 | (13 475 325) | - | (28 839 042) | 100 371 811 |
| | 1 210 363 450 | 187 849 637 | (11 965 810) | (77 777 645) | 1 945 464 | 10 704 235 | 1 321 119 331 | (627 949 929) | 7 472 628 | 8 451 539 | (49 015 133) | (237 576) | (661 278 471) | 659 840 860 |
| **Agricultural/Biological assets** | | | | | | | | | | | | | | |
| **Intangible assets** | | | | | | | | | | | | | | |
| Computers - software & programming | 1 642 327 | 284 380 | - | - | - | - | 1 926 707 | (271 623) | - | - | (161 316) | - | (432 939) | 1 493 768 |
| Other | 645 664 | - | - | - | - | - | 645 664 | - | - | - | - | - | - | 645 664 |
| | 2 287 991 | 284 380 | - | - | - | - | 2 572 371 | (271 623) | - | - | (161 316) | - | (432 939) | 2 139 432 |
| **Investment properties** | | | | | | | | | | | | | | |
| Investment property | 343 027 146 | - | - | - | (1 945 464) | 12 278 941 | 353 360 623 | - | - | - | - | - | - | 353 360 623 |
| | 343 027 146 | - | - | - | (1 945 464) | 12 278 941 | 353 360 623 | - | - | - | - | - | - | 353 360 623 |
| **Total** | | | | | | | | | | | | | | |
| Other assets | 71 351 604 | - | - | - | - | - | 71 351 604 | (38 882 729) | - | - | (1 538 694) | - | (40 421 423) | 30 930 181 |
| Infrastructure | 973 838 454 | 56 791 159 | (10 427 108) | - | - | 10 704 235 | 1 030 906 740 | (529 380 888) | (325 684) | 7 368 743 | (31 515 510) | - | (553 853 339) | 477 053 401 |
| Community Assets | 67 117 403 | 20 986 486 | (938 169) | - | 1 945 464 | - | 89 111 184 | (35 958 855) | - | 517 368 | (2 485 604) | (237 576) | (38 164 667) | 50 946 517 |
| Heritage assets | 538 950 | - | - | - | - | - | 538 950 | - | - | - | - | - | - | 538 950 |
| Other assets | 97 517 039 | 110 071 992 | (600 533) | (77 777 645) | - | - | 129 210 853 | (23 727 457) | 7 798 312 | 565 428 | (13 475 325) | - | (28 839 042) | 100 371 811 |
| Intangible assets | 2 287 991 | 284 380 | - | - | - | - | 2 572 371 | (271 623) | - | - | (161 316) | - | (432 939) | 2 139 432 |
| Investment properties | 343 027 146 | - | - | - | (1 945 464) | 12 278 941 | 353 360 623 | - | - | - | - | - | - | 353 360 623 |
| | 1 555 678 587 | 188 134 017 | (11 965 810) | (77 777 645) | - | 22 983 176 | 1 677 052 325 | (628 221 552) | 7 472 628 | 8 451 539 | (49 176 449) | (237 576) | (661 711 410) | 1 015 340 915 |

# Appendix B

## Analysis of property, plant and equipment as at 30 June 2016

### Cost/Revaluation — Accumulated depreciation

| | Cost/Revaluation: Opening Balance Rand | Additions Rand | Derecognition Rand | Transfers Rand | Revaluations Rand | Other adjustments Rand | Closing Balance Rand | Accumulated depreciation: Opening Balance Rand | Derecognition - Accum depr Rand | Derecognition - Impairment Rand | Depreciation Rand | Other adjustments Rand | Closing Balance Rand | Carrying value Rand |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Land and buildings** | | | | | | | | | | | | | | |
| Housing (Inc land) | 21 819 971 | - | - | - | - | - | 21 819 971 | (16 320 972) | - | - | (391 685) | - | (16 712 657) | 5 107 314 |
| Operational buildings | 49 531 633 | - | - | - | - | - | 49 531 633 | (20 532 425) | - | - | (1 637 647) | - | (22 170 072) | 27 361 561 |
| Roads and stormwater | 878 356 | - | - | - | - | (878 356) | - | (4 382) | - | - | (8 764) | 13 146 | - | - |
| | **72 229 960** | - | - | - | - | (878 356) | 71 351 604 | (36 857 779) | - | - | (2 038 096) | 13 146 | (38 882 729) | 32 468 875 |
| **Infrastructure** | | | | | | | | | | | | | | |
| Electricity network | 120 927 930 | 517 509 | - | - | - | - | 121 445 439 | (72 729 277) | - | - | (2 922 475) | 252 542 | (75 399 210) | 46 046 229 |
| Roads and stormwater network | 366 176 054 | 17 630 367 | (6 017 885) | - | - | (96 085 191) | 281 703 345 | (163 408 366) | 4 246 967 | - | (7 384 433) | 61 779 142 | (104 766 690) | 176 936 655 |
| Sanitation network | 189 743 001 | - | - | - | - | - | 189 743 001 | (124 346 885) | - | - | (2 754 562) | - | (127 101 447) | 62 641 554 |
| Solid waste infrastructure | 247 017 193 | 24 978 164 | (220 150) | - | - | (256 074 441) | 15 700 766 | (150 566 208) | 188 767 | (66 513) | (5 576 165) | 151 595 609 | (4 424 510) | 11 276 256 |
| Stormwater | - | - | - | - | - | 96 961 549 | 96 961 549 | - | - | - | - | (61 785 659) | (61 785 659) | 35 175 890 |
| Water supply | - | - | - | - | - | 268 284 354 | 268 284 354 | - | - | - | - | (155 903 372) | (155 903 372) | 112 380 982 |
| | 923 864 178 | 43 126 040 | (6 238 035) | - | - | 13 086 271 | 973 838 454 | (511 050 736) | 4 435 734 | (66 513) | (18 637 635) | (4 061 738) | (529 380 888) | 444 457 566 |
| **Community Assets** | | | | | | | | | | | | | | |
| Parks & gardens | 63 655 580 | 7 220 915 | (271 555) | - | - | (14 570 671) | 56 034 269 | (34 980 963) | 208 053 | - | (1 781 553) | 6 875 856 | (29 678 607) | 26 355 662 |
| Recreational facilities | 11 083 134 | - | - | - | - | - | 11 083 134 | (6 036 909) | - | - | (243 339) | - | (6 280 248) | 4 802 886 |
| | 74 738 714 | 7 220 915 | (271 555) | - | - | (14 570 671) | 67 117 403 | (41 017 872) | 208 053 | - | (2 024 892) | 6 875 856 | (35 958 855) | 31 158 548 |

# Appendix B

June 2017

## Analysis of property, plant and equipment as at 30 June 2016

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Derecognition Rand | Transfers Rand | Revaluations Rand | Other adjustments Rand | Closing Balance Rand | Opening Balance Rand | Derecognition - Accum depr Rand | Derecognition - impairment Rand | Depreciation Rand | Other adjustments Rand | Closing Balance Rand | Carrying value Rand |
| **Heritage assets** | | | | | | | | | | | | | | |
| Buildings | 538 950 | - | - | - | - | - | **538 950** | - | - | - | - | - | - | 538 950 |
| | **538 950** | - | - | - | - | - | **538 950** | - | - | - | - | - | - | **538 950** |
| **Specialised vehicles** | | | | | | | | | | | | | | |
| **Other assets** | | | | | | | | | | | | | | |
| Plant & equipment | 863 971 | 801 670 | (327 402) | - | - | - | **1 338 239** | (670 672) | 279 057 | - | (202 008) | - | **(593 623)** | 744 610 |
| Furniture & Fittings | 3 761 862 | 304 635 | (255 345) | - | - | **(2 935 578)** | **875 574** | (2 799 722) | 240 544 | - | (376 389) | - | **(2 935 567)** | (2 059 993) |
| Office Equipment | 13 312 784 | 571 597 | (372 750) | - | - | - | **13 511 631** | (5 257 962) | 333 646 | - | (4 157 524) | - | **(9 081 840)** | 4 429 791 |
| Emergency Equipment | 92 844 | - | - | - | - | **(77 186)** | **15 658** | (68 094) | - | - | (9 092) | - | **(77 186)** | (61 528) |
| Work in progress | 42 185 904 | 50 978 943 | (43 126 040) | - | - | **3 490 852** | **53 529 659** | - | - | - | - | - | - | 53 529 659 |
| | **60 217 365** | **52 656 845** | **(44 081 537)** | - | - | **478 088** | **69 270 761** | **(16 455 020)** | **8 651 559** | - | **(4 884 755)** | - | **(12 688 216)** | **56 582 539** |

# Appendix B

June 2017

## Analysis of property, plant and equipment as at 30 June 2016

### Cost/Revaluation — Accumulated depreciation

| | Cost/Revaluation: Opening Balance Rand | Additions Rand | Derecognition Rand | Transfers Rand | Revaluations Rand | Other adjustments Rand | Closing Balance Rand | Accumulated depreciation: Opening Balance Rand | Derecognition - Accum depr Rand | Derecognition - impairment Rand | Depreciation Rand | Other adjustments Rand | Closing Balance Rand | Carrying value Rand |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 72 229 960 | - | - | - | - | **(878 356)** | **71 351 604** | (36 857 779) | - | - | (2 038 096) | 13 146 | **(38 882 729)** | 32 468 875 |
| Infrastructure | 923 864 178 | 43 126 040 | (6 238 035) | - | - | **13 086 271** | **973 838 454** | (511 050 736) | 4 435 734 | (66 513) | (18 637 635) | (4 061 738) | **(529 380 888)** | 444 457 566 |
| Community Assets | 74 738 714 | 7 220 915 | (271 555) | - | - | **(14 570 671)** | **67 117 403** | (41 017 872) | 208 053 | - | (2 024 892) | 6 875 856 | **(35 958 855)** | 31 158 548 |
| Heritage assets | 538 950 | - | - | - | - | - | **538 950** | - | - | - | - | - | - | 538 950 |
| Other assets | 60 217 365 | 52 656 845 | (44 081 537) | - | - | **478 088** | **69 270 761** | (16 455 020) | 8 651 559 | - | (4 884 755) | - | **(12 688 216)** | 56 582 539 |
| | **1 131 589 167** | **103 003 800** | **(50 591 127)** | - | - | **(1 884 668)** | **1 182 117 172** | **(605 381 407)** | **13 295 346** | **(66 513)** | **(27 585 378)** | **2 827 264** | **(616 910 688)** | **565 206 478** |
| **Agricultural/Biological assets** | | | | | | | | | | | | | | |
| **Intangible assets** | | | | | | | | | | | | | | |
| Computers - software & programming | 1 617 886 | 657 326 | - | - | - | **(632 885)** | **1 642 327** | (158 257) | - | - | (113 366) | - | **(271 623)** | 1 370 704 |
| Other | 645 664 | - | - | - | - | - | **645 664** | - | - | - | - | - | - | 645 664 |
| | **2 263 550** | **657 326** | - | - | - | **(632 885)** | **2 287 991** | **(158 257)** | - | - | **(113 366)** | - | **(271 623)** | **2 016 368** |
| **Investment properties** | | | | | | | | | | | | | | |
| Investment property | 344 816 649 | - | (14 719 766) | - | 13 203 876 | **(273 613)** | **343 027 146** | - | - | - | - | - | - | 343 027 146 |
| | **344 816 649** | - | **(14 719 766)** | - | **13 203 876** | **(273 613)** | **343 027 146** | - | - | - | - | - | - | **343 027 146** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 72 229 960 | - | - | - | - | **(878 356)** | **71 351 604** | (36 857 779) | - | - | (2 038 096) | 13 146 | **(38 882 729)** | 32 468 875 |
| Infrastructure | 923 864 178 | 43 126 040 | (6 238 035) | - | - | **13 086 271** | **973 838 454** | (511 050 736) | 4 435 734 | (66 513) | (18 637 635) | (4 061 738) | **(529 380 888)** | 444 457 566 |
| Community Assets | 74 738 714 | 7 220 915 | (271 555) | - | - | **(14 570 671)** | **67 117 403** | (41 017 872) | 208 053 | - | (2 024 892) | 6 875 856 | **(35 958 855)** | 31 158 548 |
| Heritage assets | 538 950 | - | - | - | - | - | **538 950** | - | - | - | - | - | - | 538 950 |
| Other assets | 60 217 365 | 52 656 845 | (44 081 537) | - | - | **478 088** | **69 270 761** | (16 455 020) | 8 651 559 | - | (4 884 755) | - | **(12 688 216)** | 56 582 539 |
| Intangible assets | 2 263 550 | 657 326 | - | - | - | **(632 885)** | **2 287 991** | (158 257) | - | - | (113 366) | - | **(271 623)** | 2 016 368 |
| Investment properties | 344 816 649 | - | (14 719 766) | - | 13 203 876 | **(273 613)** | **343 027 146** | - | - | - | - | - | - | 343 027 146 |
| | **1 478 669 366** | **103 661 126** | **(65 310 893)** | - | **13 203 876** | **(2 791 166)** | **1 527 432 309** | **(605 539 664)** | **13 295 346** | **(66 513)** | **(27 698 744)** | **2 827 264** | **(617 182 311)** | **910 249 992** |

# Appendix C
June 2017

## Segmental analysis of property, plant and equipment as at 30 June 2017

| | Cost/Revaluation | | | | | | | Accumulated Depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Derecognition Rand | Reclassify Rand | Tranfers Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Derecognition Rand | Reclassify Rand | Depreciation Rand | Impairment deficit Rand | Closing Balance Rand | Carrying value Rand |
| **Municipality** | | | | | | | | | | | | | | |
| Land and buildings | 71 351 604 | - | - | - | - | - | **71 351 604** | (38 882 729) | - | - | (1 538 694) | - | **(40 421 423)** | 30 930 181 |
| Comm. & Social / Libraries and archives | 56 034 269 | 14 938 915 | (938 169) | - | - | **1 744 278** | **71 779 293** | (29 678 607) | 517 368 | - | (2 165 512) | (237 576) | **(31 564 327)** | 40 214 966 |
| Sport and Recreation | 11 083 134 | 6 047 571 | - | - | - | **201 186** | **17 331 891** | (6 280 248) | - | - | (320 092) | - | **(6 600 340)** | 10 731 551 |
| Electricity / Electricity Distribution | 121 445 439 | - | - | - | - | - | **121 445 439** | (75 399 210) | (252 543) | - | (2 749 663) | - | **(78 401 416)** | 43 044 023 |
| Road Transport / Road | 281 703 345 | 14 801 869 | (655 518) | - | - | - | **295 849 696** | (104 766 690) | 369 025 | (6 628) | (18 162 548) | - | **(122 566 841)** | 173 282 855 |
| Waste Water Management / Sewerage | 189 743 001 | 4 797 037 | - | - | - | - | **194 540 038** | (127 101 447) | - | - | (2 720 564) | - | **(129 822 011)** | 64 718 027 |
| Water / Water Distribution | 268 284 354 | 24 564 161 | (9 771 590) | - | - | - | **283 076 925** | (155 903 372) | 6 999 718 | - | (5 124 166) | (66 513) | **(154 094 333)** | 128 982 592 |
| Other | 217 145 249 | 122 700 084 | (600 533) | 1 945 463 | (77 777 645) | **4 655 635** | **268 068 253** | (8 796 447) | 865 019 | - | (8 036 200) | - | **(15 967 628)** | 252 100 625 |
| Environmental Protection/Pollution Control | - | - | - | - | - | - | - | (80 774 190) | - | (3 928 723) | - | - | **(84 702 913)** | (84 702 913) |
| Waste Water Management/Sewerage | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Road Transport/Roads | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Water/Water Distribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Electricity /Electricity Distribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other/Air Transport | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **1 216 790 395** | **187 849 637** | **(11 965 810)** | **1 945 463** | **(77 777 645)** | **6 601 099** | **1 323 443 139** | **(627 582 940)** | **8 498 587** | **(3 935 351)** | **(40 817 439)** | **(304 089)** | **(664 141 232)** | **659 301 907** |
| **Municipal Owned Entities** | | | | | | | | | | | | | | |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | | | | | | | | | | | | | | |
| Municipality | 1 216 790 395 | 187 849 637 | (11 965 810) | 1 945 463 | (77 777 645) | **6 601 099** | **1 323 443 139** | (627 582 940) | 8 498 587 | (3 935 351) | (40 817 439) | (304 089) | **(664 141 232)** | 659 301 907 |
| Municipal Owned Entities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

# Appendix C

June 2017

## Segmental analysis of property, plant and equipment as at 30 June 2017

| Cost/Revaluation | | | | | | | Accumulated Depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Opening Balance Rand | Additions Rand | Derecognition Rand | Reclassify Rand | Tranfers Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Derecognition Rand | Reclassify Rand | Depreciation Rand | Impairment deficit Rand | Closing Balance Rand | Carrying value Rand |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1 216 790 395 | 187 849 637 | (11 965 810) | 1 945 463 | (77 777 645) | 6 601 099 | 1 323 443 139 | (627 582 940) | 8 498 587 | (3 935 351) | (40 817 439) | (304 089) | (664 141 232) | 659 301 907 |

# Appendix D
June 2017

## Segmental Statement of Financial Performance for the year ended

| Prior Year | | | | Current Year | | |
|---|---|---|---|---|---|---|
| Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand | | Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand |
| | | | **Municipality** | | | |
| - | 17 318 310 | (17 318 310) | Executive & Council/Mayor and Council | - | 15 081 826 | (15 081 826) |
| 112 739 736 | 104 065 355 | 8 674 381 | Finance & Admin/Finance | 133 200 797 | 117 415 480 | 15 785 317 |
| 231 849 | 9 644 043 | (9 412 194) | Planning and Development/Economic Development/Plan | 167 384 | 10 227 373 | (10 059 989) |
| 337 586 | 11 260 281 | (10 922 695) | Comm. & Social/Libraries and archives | 428 891 | 10 692 022 | (10 263 131) |
| 8 073 807 | 11 893 178 | (3 819 371) | Waste Water Management/Sewerage | 8 679 020 | 11 302 426 | (2 623 406) |
| 26 130 098 | 9 843 074 | 16 287 024 | Road Transport/Roads | 59 585 916 | 9 662 208 | 49 923 708 |
| 49 248 602 | 24 051 971 | 25 196 631 | Water/Water Distribution | 81 958 094 | 22 676 283 | 59 281 811 |
| 111 873 107 | 158 181 333 | (46 308 226) | Other/Air Transport | 140 544 843 | 149 596 099 | (9 051 256) |
| **308 634 785** | **346 257 545** | **(37 622 760)** | | **424 564 945** | **346 653 717** | **77 911 228** |
| | | | **Municipal Owned Entities** | | | |
| | | | **Other charges** | | | |
| 308 634 785 | 346 257 545 | (37 622 760) | Municipality | 424 564 945 | 346 653 717 | 77 911 228 |
| **308 634 785** | **346 257 545** | **(37 622 760)** | **Total** | **424 564 945** | **346 653 717** | **77 911 228** |

## Actual versus Budget(Revenue and Expenditure) for tl
## 2016

| | Forecast # 1 2017 Act. Bal. Rand | Forecast # 1 2017 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant greater than 10% versus |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Service charges | 147 043 336 | 167 385 180 | (20 341 844) | (12.2) | Result of lower consumption |
| Rental of facilities and equipment | 1 099 298 | 1 550 000 | (450 702) | (29.1) | Vacant unit increased and resulted in c rental |
| Licences and permits | 3 256 242 | 15 000 000 | (11 743 758) | (78.3) | Unexpected decreasse due to relocatic department |
| Administration and management fees received | 396 756 | 300 000 | 96 756 | 32.3 | Increase in demand |
| Commissions received | 61 098 | 45 000 | 16 098 | 35.8 | Increase in the number of third parties |
| Property rates | 62 467 982 | 79 647 886 | (17 179 904) | (21.6) | Budget process took into account new without considering subsequent objecti valuations roll |
| Demand charges | 210 524 | 8 155 169 | (7 944 645) | (97.4) | Result of lower consumption |
| Government grant and subsidies | 175 897 887 | 151 689 000 | 24 208 887 | 16.0 | Additional allocation received |
| Other income | 7 612 505 | 5 423 000 | 2 189 505 | 40.4 | Delays on VAT refund from SARS |
| Other income - (rollup) | - | - | - | - | |
| Town planning scheme | 514 515 | 550 000 | (35 485) | (6.5) | |
| Fines | 12 756 400 | 13 000 000 | (243 600) | (1.9) | New service provider appointed during first few months spent setting up systei |
| Interest received | 10 479 479 | 8 300 000 | 2 179 479 | 26.3 | Surplus cash was invested to yield adit |
| | 421 796 022 | 451 045 235 | (29 249 213) | (6.5) | |
| **Expenses** | | | | | |
| Personnel | (110 405 149) | (117 549 295) | 7 144 146 | (6.1) | |
| Remuneration of councillors | (6 277 995) | (6 707 924) | 429 929 | (6.4) | |
| Depreciation | (49 036 709) | (26 300 000) | (22 736 709) | 86.5 | |
| Impairments | - | - | - | - | |
| Finance costs | (10 317 130) | (10 345 743) | 28 613 | (0.3) | |
| Debt impairment | (32 309 464) | (15 000 000) | (17 309 464) | 115.4 | |
| Repairs and maintenance | (7 806 277) | (17 761 500) | 9 955 223 | (56.0) | Lower spending as result of cash flow ( |
| Bulk purchases | (85 227 482) | (99 905 949) | 14 678 467 | (14.7) | Lower than anticipated consumption |
| General Expenses | (54 038 181) | (75 871 509) | 21 833 328 | (28.8) | Lower spending as result of cash flow ( |
| | (355 418 387) | (369 441 920) | 14 023 533 | (3.8) | |
| **Other revenue and costs** | | | | | |
| Gain or loss on disposal of assets | 2 768 924 | (50 000) | 2 818 924 | 637.8) | |
| Fair value adjustments | 12 278 941 | - | 12 278 941 | - | |
| Actuarial gain / (loss) | (3 514 272) | - | (3 514 272) | - | |
| | 11 533 593 | (50 000) | 11 583 593 | 167.2) | |
| Net surplus/ (deficit) for the year | 77 911 228 | 81 553 315 | (3 642 087) | (4.5) | |

Appendix F
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**
June 2017

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Grants and Subsidies delayed / withheld | | | | | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Jun | Sep | Dec | Mar | Jun | Jun | Sep | Dec | Mar | Jun | Jun | Sep | Dec | Mar | Jun | | Yes/ No | |
| Equitable share | National Treasury | - | 28 505 | 22 803 | 17 103 | - | - | - | - | - | - | - | - | - | - | - | | Yes | |
| MIG | National Treasury | - | 13 858 | 8 430 | 15 283 | - | - | 11 454 | 17 779 | 7 944 | 21 285 | - | - | - | - | - | | Yes | |
| FMG | National Treasury | - | 1 625 | - | - | - | - | 542 | 212 | 521 | 349 | - | - | - | - | - | | Yes | |
| | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | Yes | |
| EPWP | National Treasury | - | 271 | 486 | 325 | - | - | - | 467 | 393 | 223 | - | - | - | - | - | | Yes | |
| MWIG | National Treasury | - | 9 000 | 15 000 | 6 000 | - | - | 6 666 | 8 596 | 8 781 | 5 957 | - | - | - | - | - | | Yes | |
| INEP | National Treasury | - | 10 000 | 10 000 | 8 000 | - | - | - | 4 677 | - | 12 690 | - | - | - | - | - | | Yes | |
| | | - | 63 259 | 56 719 | 46 711 | - | - | 18 662 | 31 731 | 17 639 | 40 504 | - | - | - | - | - | | | |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

# Appendix G1
# Budgeted Financial Performance (revenue and expenditure by standard classification)
# for the year ended 30 June 2017

| | 2017/2016 | | | | | | | | | | | | | | 2016/2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget<br>Rand | Budget Adjustments (i.t.o. s28 and s31 of the MFMA)<br>Rand | Final adjustments budget<br>Rand | Shifting of funds (i.t.o. s31 of the MFMA)<br>Rand | Virement (i.t.o. Council approved policy)<br>Rand | Final Budget<br>Rand | Actual Outcome<br>Rand | Unauthorised expenditure<br>Rand | Variance<br>Rand | Actual Outcome as % of Final Budget<br>Rand | Actual Outcome as % of Original Budget<br>Rand | Reported unauthorised expenditure<br>Rand | Expenditure authorised in terms of section 32 of MFMA<br>Rand | Balance to be recovered<br>Rand | Restated Audited Outcome<br>Rand |
| **Revenue - Standard** | | | | | | | | | | | | | | | |
| **Governance and administration** | **152 968 438** | **(10 500 000)** | **142 468 438** | - | | **142 468 438** | **131 731 703** | | **(10 736 735)** | **92 %** | **86 %** | | | | **121 462 885** |
| Executive and council | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Budget and treasury office | 151 458 438 | (10 500 000) | 140 958 438 | - | | 140 958 438 | 130 431 873 | | (10 526 565) | 93 % | 86 % | | | | 120 225 136 |
| Corporate services | 1 510 000 | - | 1 510 000 | - | | 1 510 000 | 1 299 830 | | (210 170) | 86 % | 86 % | | | | 1 237 749 |
| **Community and public safety** | **28 390 000** | - | **28 390 000** | - | | **28 390 000** | **17 002 599** | | **(11 387 401)** | **60 %** | **60 %** | | | | **7 130 798** |
| Community and social services | 390 000 | - | 390 000 | - | | 390 000 | 428 891 | | 38 891 | 110 % | 110 % | | | | 337 586 |
| Sport and recreation | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Public safety | 28 000 000 | - | 28 000 000 | - | | 28 000 000 | 16 573 708 | | (11 426 292) | 59 % | 59 % | | | | 6 793 212 |
| Housing | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Health | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Economic and environmental services** | **23 853 000** | - | **23 853 000** | - | | **23 853 000** | **59 753 300** | | **35 900 300** | **251 %** | **251 %** | | | | **26 361 947** |
| Planning and development | 200 000 | - | 200 000 | - | | 200 000 | 167 384 | | (32 616) | 84 % | 84 % | | | | 231 849 |
| Road transport | 23 653 000 | - | 23 653 000 | - | | 23 653 000 | 59 585 916 | | 35 932 916 | 252 % | 252 % | | | | 26 130 098 |
| Environmental protection | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Trading services** | **253 393 797** | - | **253 393 797** | - | | **253 393 797** | **213 308 421** | | **(40 085 376)** | **84 %** | **84 %** | | | | **161 164 555** |
| Electricity | 147 489 211 | - | 147 489 211 | - | | 147 489 211 | 122 671 307 | | (24 817 904) | 83 % | 83 % | | | | 103 842 146 |
| Water | 91 042 162 | - | 91 042 162 | - | | 91 042 162 | 81 958 094 | | (9 084 068) | 90 % | 90 % | | | | 49 248 602 |
| Waste water management | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Waste management | 14 862 424 | - | 14 862 424 | - | | 14 862 424 | 8 679 020 | | (6 183 404) | 58 % | 58 % | | | | 8 073 807 |
| **Other** | - | - | - | - | | - | - | | - | **DIV/0 %** | **DIV/0 %** | | | | - |
| Other | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Total Revenue - Standard** | **458 605 235** | **(10 500 000)** | **448 105 235** | - | | **448 105 235** | **421 796 023** | | **(26 309 212)** | **94 %** | **92 %** | | | | **316 120 185** |

# Appendix G1
## Budgeted Financial Performance (revenue and expenditure by standard classification)
## for the year ended 30 June 2017

| | 2017/2016 | | | | | | | | | | | | | | 2016/2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget<br>Rand | Budget Adjustments (i.t.o. s28 and s31 of the MFMA)<br>Rand | Final adjustments budget<br>Rand | Shifting of funds (i.t.o. s31 of the MFMA)<br>Rand | Virement (i.t.o. Council approved policy)<br>Rand | Final Budget<br>Rand | Actual Outcome<br>Rand | Unauthorised expenditure<br>Rand | Variance<br>Rand | Actual Outcome as % of Final Budget<br>Rand | Actual Outcome as % of Original Budget<br>Rand | Reported unauthorised expenditure<br>Rand | Expenditure authorised in terms of section 32 of MFMA<br>Rand | Balance to be recovered<br>Rand | Restated Audited Outcome<br>Rand |
| **Expenditure - Standard** | | | | | | | | | | | | | | | |
| **Governance and administration** | **157 826 760** | **8 709 175** | **166 535 935** | - | - | **166 535 935** | **173 943 214** | - | **7 407 279** | **104 %** | **110 %** | - | - | - | **191 037 422** |
| Executive and council | 16 756 068 | 2 000 000 | 18 756 068 | - | - | 18 756 068 | 15 081 826 | - | (3 674 242) | 80 % | 90 % | - | - | - | 17 318 310 |
| Budget and treasury office | 77 699 133 | 2 144 273 | 79 843 406 | - | - | 79 843 406 | 114 646 556 | - | 34 803 150 | 144 % | 148 % | - | - | - | 111 550 755 |
| Corporate services | 63 371 559 | 4 564 902 | 67 936 461 | - | - | 67 936 461 | 44 214 832 | - | (23 721 629) | 65 % | 70 % | - | - | - | 62 168 357 |
| **Community and public safety** | **29 338 108** | **(2 511 565)** | **26 826 543** | - | - | **26 826 543** | **19 985 712** | - | **(6 840 831)** | **74 %** | **68 %** | - | - | - | **21 765 566** |
| Community and social services | 15 101 016 | (2 484 561) | 12 616 455 | - | - | 12 616 455 | 10 692 022 | - | (1 924 433) | 85 % | 71 % | - | - | - | 11 260 281 |
| Sport and recreation | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Public safety | 14 237 092 | (27 004) | 14 210 088 | - | - | 14 210 088 | 9 293 690 | - | (4 916 398) | 65 % | 65 % | - | - | - | 10 505 285 |
| Housing | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Health | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| **Economic and environmental services** | **30 423 911** | **(5 651 606)** | **24 772 305** | - | - | **24 772 305** | **19 889 581** | - | **(4 882 724)** | **80 %** | **65 %** | - | - | - | **19 487 117** |
| Planning and development | 11 137 373 | 20 734 | 11 158 107 | - | - | 11 158 107 | 10 227 373 | - | (930 734) | 92 % | 92 % | - | - | - | 9 644 043 |
| Road transport | 19 286 538 | (5 672 340) | 13 614 198 | - | - | 13 614 198 | 9 662 208 | - | (3 951 990) | 71 % | 50 % | - | - | - | 9 843 074 |
| Environmental protection | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| **Trading services** | **158 614 033** | **(10 196 895)** | **148 417 138** | - | - | **148 417 138** | **130 066 288** | - | **(18 350 850)** | **88 %** | **82 %** | - | - | - | **121 452 839** |
| Electricity | 116 040 463 | (10 856 118) | 105 184 345 | - | - | 105 184 345 | 96 087 574 | - | (9 096 771) | 91 % | 83 % | - | - | - | 85 507 690 |
| Water | 29 863 877 | (1 412 386) | 28 451 491 | - | - | 28 451 491 | 22 676 283 | - | (5 775 208) | 80 % | 76 % | - | - | - | 24 051 971 |
| Waste water management | - | - | - | - | - | - | 63 612 | - | 63 612 | DIV/0 % | DIV/0 % | - | - | - | 64 686 |
| Waste management | 12 709 693 | 2 071 609 | 14 781 302 | - | - | 14 781 302 | 11 238 819 | - | (3 542 483) | 76 % | 88 % | - | - | - | 11 828 492 |
| **Other** | - | - | - | - | - | - | - | - | - | **DIV/0 %** | **DIV/0 %** | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| **Total Expenditure - Standard** | **376 202 812** | **(9 650 891)** | **366 551 921** | - | - | **366 551 921** | **343 884 795** | - | **(22 667 126)** | **94 %** | **91 %** | - | - | - | **353 742 944** |
| **Surplus/(Deficit) for the year** | **82 402 423** | **(849 109)** | **81 553 314** | - | | **81 553 314** | **77 911 228** | | **(3 642 086)** | **96 %** | **95 %** | | | | **(37 622 759)** |

# Appendix G3
# Budgeted Financial Performance (revenue and expenditure)
# for the year ended 30 June 2017

| | 2017/2016 | | | | | | | | | | | | | | 2016/2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Virement (i.t.o. Council approved policy) | | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Revenue By Source** | | | | | | | | | | | | | | | |
| Property rates | 94 647 886 | (15 000 000) | 79 647 886 | - | | 79 647 886 | 62 467 982 | | (17 179 904) | 78 % | 66 % | | | | 46 336 732 |
| Service charges - electricity revenue | 106 469 434 | - | 106 469 434 | 1 300 000 | | 107 769 434 | 102 848 230 | | (4 921 204) | 95 % | 97 % | | | | 103 326 621 |
| Service charges - water revenue | 35 583 605 | - | 35 583 605 | 630 000 | | 36 213 605 | 23 259 071 | | (12 954 534) | 64 % | 65 % | | | | 22 624 734 |
| Service charges - sanitation revenue | 11 126 717 | - | 11 126 717 | - | | 11 126 717 | 14 862 227 | | 3 735 510 | 134 % | 134 % | | | | 9 464 684 |
| Service charges - refuse revenue | 11 265 424 | - | 11 265 424 | 1 010 000 | | 12 275 424 | 6 073 808 | | (6 201 616) | 49 % | 54 % | | | | 6 171 908 |
| Service charges - other | 8 200 169 | - | 8 200 169 | - | | 8 200 169 | 260 875 | | (7 939 294) | 3 % | 3 % | | | | 410 926 |
| Rental of facilities and equipment | 1 550 000 | - | 1 550 000 | - | | 1 550 000 | 1 099 298 | | (450 702) | 71 % | 71 % | | | | 1 106 503 |
| Interest earned - external investments | 300 000 | 1 000 000 | 1 300 000 | - | | 1 300 000 | 2 583 439 | | 1 283 439 | 199 % | 861 % | | | | 940 360 |
| Interest earned - outstanding debtors | 3 500 000 | 3 500 000 | 7 000 000 | - | | 7 000 000 | 7 896 040 | | 896 040 | 113 % | 226 % | | | | 5 294 784 |
| Fines | 13 000 000 | - | 13 000 000 | - | | 13 000 000 | 12 756 400 | | (243 600) | 98 % | 98 % | | | | 3 028 800 |
| Licences and permits | 15 000 000 | - | 15 000 000 | - | | 15 000 000 | 3 256 242 | | (11 743 758) | 22 % | 22 % | | | | 3 201 147 |
| Transfers recognised | 151 689 000 | - | 151 689 000 | - | | 151 689 000 | 175 897 887 | | 24 208 887 | 116 % | 116 % | | | | 104 252 391 |
| Other revenue | 6 273 000 | (50 000) | 6 223 000 | - | | 6 223 000 | 8 534 523 | | 2 311 523 | 137 % | 136 % | | | | 9 960 595 |
| Gains on disposal of PPE | - | 50 000 | 50 000 | - | | 50 000 | - | | (50 000) | - % | DIV/0 % | | | | - |
| Total Revenue (excluding capital transfers and contributions) | **458 605 235** | **(10 500 000)** | **448 105 235** | **2 940 000** | | **451 045 235** | **421 796 022** | | **(29 249 213)** | **94 %** | **92 %** | | | | **316 120 185** |

# Appendix G3
# Budgeted Financial Performance (revenue and expenditure)
# for the year ended 30 June 2017

| | 2017/2016 | | | | | | | | | | | | | 2016/2015 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Virement (i.t.o. Council approved policy) | | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Expenditure By Type** | | | | | | | | | | | | | | | |
| Employee related costs | 104 757 541 | 12 791 754 | 117 549 295 | - | (90 631) | 117 458 664 | 110 405 149 | - | (7 053 515) | 94 % | 105 % | - | - | - | 103 691 637 |
| Remuneration of councillors | 6 707 924 | - | 6 707 924 | - | 90 631 | 6 798 555 | 6 277 995 | - | (520 560) | 92 % | 94 % | - | - | - | 6 325 883 |
| Debt impairment | 15 000 000 | - | 15 000 000 | | (1 167 289) | 13 832 711 | 32 309 464 | - | 18 476 753 | 234 % | 215 % | - | - | - | 29 176 475 |
| Depreciation & asset impairment | 28 000 000 | - | 28 000 000 | | (1 700 000) | 26 300 000 | 49 036 709 | - | 22 736 709 | 186 % | 175 % | - | - | - | 30 808 519 |
| Finance charges | 2 645 743 | - | 2 645 743 | 7 700 000 | - | 10 345 743 | 10 317 130 | - | (28 613) | 100 % | 390 % | - | - | - | 6 495 816 |
| Bulk purchases | 104 905 949 | (5 000 000) | 99 905 949 | - | (2 500 000) | 97 405 949 | 85 227 482 | - | (12 178 467) | 87 % | 81 % | - | - | - | 78 914 997 |
| Other materials | 29 811 500 | (13 950 000) | 15 861 500 | - | - | 15 861 500 | 7 806 277 | - | (8 055 223) | 49 % | 26 % | - | - | - | 10 257 612 |
| Contracted services | 21 222 260 | (12 389 260) | 8 833 000 | (700 000) | 2 500 000 | 10 633 000 | 8 028 218 | - | (2 604 782) | 76 % | 38 % | - | - | - | 10 180 967 |
| Other expenditure | 63 151 895 | 8 846 614 | 71 998 509 | (2 360 000) | - | 69 638 509 | 46 009 962 | - | (23 628 547) | 66 % | 73 % | - | - | - | 83 507 258 |
| Loss on disposal of PPE | - | 50 000 | 50 000 | - | - | 50 000 | 3 514 273 | - | 3 464 273 | 7 029 % | DIV/0 % | - | - | - | 102 255 |
| Total Expenditure | **376 202 812** | **(9 650 892)** | **366 551 920** | **4 640 000** | **(2 867 289)** | **368 324 631** | **358 932 659** | **-** | **(9 391 972)** | **97 %** | **95 %** | **-** | **-** | **-** | **359 461 419** |
| **Surplus/(Deficit)** | **82 402 423** | **(849 108)** | **81 553 315** | **(1 700 000)** | **2 867 289** | **82 720 604** | **62 863 363** | | **(19 857 241)** | **76 %** | **76 %** | | | | **(43 341 234)** |
| Fair value adjustments | - | - | - | - | | - | 12 278 941 | | 12 278 941 | DIV/0 % | DIV/0 % | | | | 13 203 875 |
| Actuarial Gain / (Loss) | - | - | - | - | | - | 2 768 924 | | 2 768 924 | DIV/0 % | DIV/0 % | | | | (7 485 400) |
| **Surplus/(Deficit) after capital transfers & contributions** | **82 402 423** | **(849 108)** | **81 553 315** | **(1 700 000)** | | **79 853 315** | **77 911 228** | | **(1 942 087)** | **98 %** | **95 %** | | | | **(37 622 759)** |
| **Surplus/(Deficit) after taxation** | **82 402 423** | **(849 108)** | **81 553 315** | **(1 700 000)** | | **79 853 315** | **77 911 228** | | **(1 942 087)** | **98 %** | **95 %** | | | | **(37 622 759)** |
| **Surplus/(Deficit) attributable to municipality** | **82 402 423** | **(849 108)** | **81 553 315** | **(1 700 000)** | | **79 853 315** | **77 911 228** | | **(1 942 087)** | **98 %** | **95 %** | | | | **(37 622 759)** |
| **Surplus/(Deficit) for the year** | **82 402 423** | **(849 108)** | **81 553 315** | **(1 700 000)** | | **79 853 315** | **77 911 228** | | **(1 942 087)** | **98 %** | **95 %** | | | | **(37 622 759)** |